

Annual Report 2021

Corporate profile

Newron is a biopharmaceutical company focused on the development of novel therapies for patients with diseases of the central and peripheral nervous system. The company's shares are listed on the Swiss Stock Exchange SIX (ticker symbol: NWRN) and on the Düsseldorf Stock Exchange/XETRA (ticker symbol: NP5). Newron is headquartered in Bresso near Milan, Italy, with a subsidiary in Morristown (NJ), USA.

Xadago® / safinamide has received marketing authorization for the treatment of Parkinson's disease in the European Union, Switzerland, the UK, the USA, Australia, Canada, Brazil, Colombia, Israel, the United Arab Emirates, Japan and South Korea, and is commercialized by Newron's Partner, Zambon. Supernus Pharmaceuticals holds the commercialization rights in the USA. Meiji Seika has the rights to develop and commercialize the compound in Japan and other key Asian territories.

Newron is also developing Evenamide as the potential first add-on therapy for the treatment of patients with positive symptoms of schizophrenia.

More information about the Company is available on [newron.com](https://www.newron.com)

Key Corporate Events

2021 Highlights

Evenamide – Schizophrenia

- Two short-term explanatory studies of evenamide both met their primary objectives of demonstrating absence of arrhythmia risk (TQT-Study 010) in healthy volunteers, and the absence of EEG/neurological abnormalities (EEG Study 008) in patients with schizophrenia
- Newron initiated
 - an open-label study of evenamide as add-on to antipsychotics in patients with treatment resistant schizophrenia (TRS) and its extension (Studies 014 and 015)
 - study 008A, the first randomized, placebo-controlled adequate, well-controlled, potentially pivotal study of evenamide in patients with chronic schizophrenia not responding adequately to second-generation antipsychotics (non TRS)
- Newron continues to evaluate strategic commercial and development partnering options for evenamide

Xadago®/safinamide – Parkinson's disease

- Newron signed a partnership agreement with Zambon to initiate a potentially pivotal study with safinamide in Parkinson's disease patients with levodopa-induced dyskinesia (PD LID)
- Newron and its partners Zambon and Supernus continue to work to protect intellectual property rights associated with Xadago®/safinamide in the US, responding to Paragraph IV Notice Letters regarding Abbreviated New Drug Applications submitted from generic pharmaceutical manufacturers

Corporate

- Newron received the fourth and fifth tranches of funding from the European Investment Bank (EIB), each totalling EUR 7.5 million; total financing from the EIB since 2019 is now EUR 40 million, and has thus been fully drawn
- Newron continues to explore a number of potential pipeline opportunities to expand its pipeline in central nervous system diseases

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Shareholder Letter



Ulrich Köstlin



Stefan Weber

Dear Shareholder,

We are pleased to share the progress made by Newron throughout 2021, as well as to provide an update on what we hope to achieve as we move forward into 2022. Most significantly, our team has succeeded in initiating study 008A with evenamide, which kicked-off our Phase II/III program and represents the first potentially pivotal study in patients with schizophrenia who are inadequate responders to antipsychotics.

Evenamide – Schizophrenia

In 2021, we were excited to announce the results from two short-term explanatory studies of evenamide, study 010 and study 008, which both met their primary objective of all safety variables. Study 010 was a short-term safety study of the effects of two doses of evenamide (30mg and 60mg) in 56 healthy volunteers, and study 008 was a four-week Phase II study in 138 outpatients with chronic schizophrenia currently being treated with a second-generation atypical antipsychotic. The results showed that evenamide is safe at all doses investigated (with no systematic pattern of adverse effects on the central nervous system), is devoid of any arrhythmic effect (a risk associated with antipsychotics) and can be safely taken with other antipsychotics. Following recent discussions with the U.S. FDA, Newron will address the remaining FDA issues once data from studies 014 and 008A studies are available.

After the encouraging results from study 008, we were pleased to initiate study 008A, a four-week, randomised, double-blind placebo-controlled study to assess the efficacy, tolerability, and safety (including electroencephalogram effects) of the therapeutic BID dose of 30mg in patients with chronic schizophrenia currently being treated with a second-generation antipsychotic. This study represents the first part of our Phase II/III clinical trial program that targets patients with schizophrenia experiencing worsening of psychosis who are inadequately responding to therapeutic doses of second-generation antipsychotics (non TRS). Study 008A involves treatment centres across 12 countries in Europe, Asia and Latin America, and results are expected around the end of 2022. Subject to positive results, study 008A would be the first adequate, well-controlled, potentially pivotal study of evenamide in schizophrenia patients who are inadequate responders to atypical anti-psychotic treatment.

In the second indication of our Phase II/III development plan for evenamide, treatment-resistant schizophrenia (TRS), we have initiated pilot study 014. This is a 6-week, open-label, randomized, rater-blinded, multi-centre study with sites in Italy, India, Sri Lanka and Malaysia. The study was designed to evaluate the safety, tolerability and preliminary efficacy of fixed doses of evenamide of 7.5 mg BID, 15 mg BID and 30 mg BID as add-on treatment in patients with moderate to severe TRS. Currently, 110 of the intended 150 patients have been enrolled to study 014. Completers are eligible to continue treatment with the randomized dose in an extension study (015) for up to 46 weeks. We intend to announce first results from study 014 in Q2 2022.

The pilot study in patients suffering from TRS would be followed by the second potentially pivotal study with evenamide in patients who are suffering from treatment resistant schizophrenia.

Importantly, if approved, evenamide would be the first add-on therapy for schizophrenia. Its glutamatergic inhibition mechanism of action represents an innovative alternative to typical dopaminergic or serotonergic drugs, potentially offering a new therapeutic option for patients who are not or inadequately responding to existing second-generation antipsychotics.

Newron continues to evaluate strategic commercial and development partnering options for evenamide.

Xadago®/safinamide – Parkinson's disease

As we look to further develop our marketed product, Xadago®/safinamide, in 2021 we announced we had signed a partnership agreement with Zambon to begin a potentially pivotal study in patients with Parkinson's disease and levodopa-induced dyskinesia (PD LID). Under this partnership agreement, Newron will sponsor the study and be responsible for its development and execution, and lead on all regulatory interactions. Newron and Zambon will evenly share the costs of the study. The double-blind, placebo-controlled study is intended to be performed in the US, Europe and Asia/Australia, with the aim of a label extension for safinamide in key markets.

In May 2021, Newron announced that it had received several Paragraph IV Notice Letters regarding the submission by generic manufacturers of an Abbreviated New Drug Application to the US Food and Drug Administration (FDA), seeking approval to engage in the commercial manufacture, use or sale of safinamide mesylate drug product in the US before expiration of certain US patents. Newron and its partners Zambon and Supernus have responded in filing an infringement suit against the generic manufacturers to secure a 30-month stay of the ANDAs approval, and thus to protect its intellectual property rights relating to Xadago®/safinamide tablets. Xadago® (safinamide) tablets are currently protected by three patents listed in the FDA's Approved Drugs Product List (Orange Book) that expire no earlier than 2027.

Newron's current Pipeline

| Product | | Phase I | Phase II | Phase III | Market | Commercial Rights |
|---------------------------------|---------------------------------------|---------|----------|-----------|--------|---------------------|
| Xadago® (safinamide) | Adjunctive therapy in PD | | | | | Zambon |
| | Adjunctive therapy in PD | | | | | Zambon / Supernus |
| | Adjunctive therapy in PD | | | | | Meiji Seika / Eisai |
| | Levodopa Induced Dyskinesia (PD LID) | | | | | Zambon / Supernus |
| Evenamide (NW-3509) | Adjunctive therapy in Schizophrenia | | | | | Newron |
| | Adjunctive therapy in TRS | | | | | Newron |
| Ralfinamide | Orphan indication in neuropathic pain | | | | | Newron |

We continue to explore a number of opportunities and potential commercial partnerships to expand our pipeline in central nervous system diseases, including opportunities to in-licence. We look forward to updating our stakeholders on these developments as they take place.

Corporate

The spread of the Covid-19 pandemic resulted in a significant impact on production and commercial activities in many countries, mainly as a consequence of the restrictions and containment measures adopted by local governments, including travel bans, quarantines and other public emergency measures. From a business perspective, we experienced slight delays on the timelines of certain studies. Our team is working closely with the vendors to mitigate any potential disruption to the on-going or planned clinical trials as a result of the Covid-19 pandemic. We put in place measures to ensure the protection of our employees and business continuity: in particular, the adoption of hygiene and safety measures in its administrative and operational areas together with working from home, rigorous cleaning of workplaces and distribution of personal protective equipment.

At our 2021 Annual General Meeting, our shareholders approved our financial statements as of December 31, 2020, which was the sole motion. We would like to sincerely thank all shareholders for their on-going support of Newron and their confidence in our strategy.

In December 2021, Robert Leslie Holland stepped down as a non-executive member of Newron's Board of Directors. We would like to thank Robert for his dedication and commitment to Newron through exciting times in the Company's development and wish him all the best for the future. At this time, Newron does not anticipate making any Non-Executive Director appointments.

ESG commitment

Newron acknowledges and supports the efforts of its business partners and investors who are working to have a positive impact on the world by addressing environmental, social, and governance (ESG) issues, such as climate change. It is Newron's ambition to be a responsible corporate citizen, and therefore we have identified five key areas to focus our efforts to enable us to achieve future success, namely: patients, employees, R&D and business partners, investors, and local communities. We are committed to furthering our dialogue with these groups regarding our ESG-related activities to identify areas for further development. More information is available on our website.

Financials

In 2021, Newron reported a net loss of EUR 14.9 million, compared to EUR 21.0 million in 2020. Cash used in operating activities has decreased to EUR 11.5 million from EUR 15.6 million in 2020. Xadago® revenues from Zambon increased from EUR 5.3 million in 2020 to EUR 5.8 million in the reporting period. Newron's R&D expenses have fallen to EUR 10.7 million from EUR 14.9 million in 2020. G&A expenses reached EUR 7.4 million in 2021 versus EUR 8.1 million in 2020. Cash and Other current financial assets as at December 31, 2021, were at EUR 34.6 million, compared to EUR 31.3 million at the beginning of the year. In early September 2021, we received the fourth tranche of funding, EUR 7.5 million, from the European Investment Bank (EIB), and in October 2021, the fifth and final tranche of EUR 7.5 million was drawn. In total, Newron has now received the full EUR 40 million loan from the EIB approved in 2018, enhancing our cash resources and aiding Newron in advancing key development programmes for diseases of the central nervous system.

Newron's total available cash resources will fund the Company's planned development programs and operations into 2024.

Outlook

As we move forward into 2022, we are confident in our strategy and current development programs. We look forward to completing study 008A evaluating the efficacy of evenamide in patients with schizophrenia, with results expected towards the end of 2022. If positive, we believe it will qualify as the first pivotal study in patients who do not respond adequately to their anti-psychotic treatment.

We look forward to results from our an open-label study of evenamide as add-on to antipsychotics in patients with treatment resistant schizophrenia (TRS), and plan to follow up on this study by investigating evenamide in a Phase III study as a new therapeutic option for patients who are considered to have treatment-resistant schizophrenia. The potential for evenamide is significant as possibly the first add-on therapy for schizophrenia, with a unique and novel mechanism of action.

In 2022, we will also continue to progress towards initiating the label-extension study for safinamide in patients with Parkinson's disease and levodopa-induced dyskinesia (PD LID) with our partner Zambon.

We are pleased with the progress to date and look forward to updating our stakeholders throughout 2022. We will continue to explore a number of opportunities and potential commercial partnerships to expand Newron's pipeline in central nervous system diseases, including opportunities to licence. We would like to sincerely thank all shareholders for their on-going support of Newron and their confidence in our strategy.

Yours sincerely



Dr. Ulrich Köstlin
Chairman
Newron Pharmaceuticals S.p.A.



Stefan Weber
Chief Executive Officer
Newron Pharmaceuticals S.p.A.

Corporate Governance

Group Structure and Shareholders

Newron Pharmaceuticals S.p.A. (the “Company” or “Newron”) is a joint stock company (Società per Azioni or S.p.A.) organized under the laws of the Republic of Italy. Since April 17, 2002, it has been registered with the Chamber of Commerce in Milan, Italy, under the name “Newron Pharmaceuticals S.p.A.” and with its registered offices and principal business in Via Antonio Meucci 3, 20091 Bresso (Milan), Italy.

The operations of the Company focus on the development of pharmaceutical products. Currently, the Company is not generating revenues from the direct sale of any commercial pharmaceutical product. Following the out licensing of safinamide in 2012, the Company interacted with the European Commission and the U.S. Food and Drug Administration until both, respectively in 2015 and 2017, have approved the use of Xadago® (safinamide) for the treatment of idiopathic Parkinson’s disease. Since then, the Company receives royalties and milestones from its partners.

The operations of the Company are managed by the Chief Executive Officer (CEO) together with the other members of the management team: the Chief Medical Officer (CMO), the Executive Vice President Business Development, the Vice President Finance, and the Vice President Commercial Affairs.

Segment reporting

The Company is in a development stage and its activities are sufficiently homogeneous to preclude the identification of reportable business or geographical segments.

Listed company

The shares of Newron Pharmaceuticals S.p.A., Via Antonio Meucci 3, 20091 Bresso (Milan), Italy, are listed according to the international reporting standard (IFRS) of the SIX Swiss Exchange, Zurich, Switzerland (Ticker: NWRN). Effective June 26, 2019, they are also listed on the primary market of the Düsseldorf Stock Exchange and traded on Xetra (Ticker: NP5). The primary trading venue remains SIX Swiss Exchange.

| | |
|--|---|
| Swiss Security Number | 2 791 431 |
| ISIN | IT0004 147 952 |
| Common Code | 27612440 |
| Ticker Symbol | NWRN |
| Market capitalization on December 31, 2021 | CHF 28,909,459 (based on 17,845,345 outstanding shares and a share price of CHF 1.62) |

Related entities

Newron Pharmaceuticals S.p.A. has four fully owned subsidiaries (collectively, “Newron Group”): Newron Pharmaceuticals US, Inc., is a U.S. limited liability company, incorporated under the laws of the State of Delaware, USA. The Company has been registered with The Secretary of the State of Delaware with a share capital of USD 10.00, divided into 1,000 shares with a par value of USD 0.01, each. All shares are held by Newron. Its operating offices are located at 89 Headquarters Plaza, North-Suite 306, 07960 Morristown, New Jersey, USA. The operations of Newron Pharmaceuticals US focus on the research and development, manufacturing and distribution of pharmaceutical products and services. They are managed by Marco Caremi as President and Roberto Galli as Secretary and Treasurer. Stefan Weber, Marco Caremi and Roberto Galli are members of the Board of directors of Newron Pharmaceuticals US.

Newron Sweden AB is a Swedish limited liability company, incorporated under the laws of Sweden. The Company has been registered with the Swedish Companies Registration Office with a share capital of SEK 3,130,284.30, divided into 330,110,154 shares with a par value of SEK 0.0094825 each, and registered office at c/o C&E SystemDesign AB, Alpstigen 6, 182 78 Stocksund, Sweden. All shares are held by Newron. The Company is a biopharmaceutical company engaged in the development of novel therapies for the treatment of disorders of the central nervous systems. The operations of Newron Sweden – currently inactive – are managed by Marco Caremi and Stefan Weber as General Managers. Marco Caremi and Stefan Weber are members of the Board of directors of Newron Sweden.

Newron Suisse SA is a joint stock company (*Société anonyme/Aktiengesellschaft*) organized under the laws of Switzerland. The company has been registered with the commercial register of the canton of Basel-Stadt, for an unlimited duration, under the name Newron Suisse SA, on September 13, 2007. In May 2016, the company moved its registered seat to Zurich. Its domicile is c/o Ostschweizerische Treuhand Zürich AG, Giesshübelstrasse 45, CH-8045 Zurich, Switzerland. The company has a share capital of CHF 100,000, divided into 1,000 fully paid-in registered shares with a nominal value of CHF 100 each. All shares are held by Newron. The operations of Newron Suisse SA – currently inactive – are focused on the research and development, manufacturing and distribution of pharmaceutical products and services. The operations of Newron Suisse SA are managed by Stefan Weber as General Manager (*Geschäftsführer*). Philippe A. Weber and Roberto Galli are members while Stefan Weber is the Chairman of the Board of directors (*Verwaltungsrat*) of Newron Suisse SA.

Hunter-Fleming Ltd. is a private limited company incorporated under the laws of England with its registered office and principal business office is c/o I.A.W. Accounting Services in Grosvenor House, 1 New Road, TQ5 8LZ Brixham, Devon, U.K. The Company has a share capital of GBP 220,328, divided into 220,328 ordinary shares of GBP 1 nominal value, each. All shares are held by Newron. The operations of Hunter Fleming Ltd. – currently inactive – are managed by Stefan Weber and Marco Caremi as directors.

Operations related to the development compounds of Newron Group are taken care of by Newron Pharmaceuticals US, Inc. and Newron Pharmaceuticals S.p.A.

Newron Pharmaceuticals S.p.A. is the only listed company within the Newron Group.

Significant shareholders

Shareholders of the Company must comply with the ownership disclosure laws as set forth in Article 120 et seq. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of June 19, 2015, as amended (“FMIA”) as well as pertinent regulations, including Articles 10 et seq. of the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of December 3, 2015, as amended (“FMIO-FINMA”) (all such laws and regulations, the “Swiss Ownership Disclosure Laws”). Such Swiss Ownership Disclosure Laws provide, among other things, that anyone who directly or indirectly or acting in concert with third parties acquires or disposes of shares or acquisition or sale rights relating to shares of the Company and thereby reaches, falls below or exceeds the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33¹/₃%, 50% or 66²/₃% of the voting rights, whether exercisable or not, shall notify the Company and SIX Swiss Exchange of such transactions within four (4) trading days. Following receipt of such notification, the Company is also obliged to publish the disclosure within two (2)

trading days via the SIX electronic publishing platform. For purposes of calculating whether a threshold has been reached or crossed, shares and purchase positions, on the one hand, and sale positions, on the other hand, may not be netted. Rather, the shares and purchase positions and the sale positions must be accounted for separately and may each trigger disclosure obligations if the respective positions reach, exceed or fall below one of the thresholds.

In addition, actual share ownership must be reported separately if it reaches, exceeds, or falls below one of the thresholds. The beneficial owners of equity securities under Art. 120 para. 1 FMIA are subject to the notification duty. A beneficial owner is the party controlling the voting rights stemming from a shareholding and bearing the associated economic risk (Art. 10 para. 1 FMIO-FINMA).

If the voting rights are not exercised directly or indirectly by the beneficial owner, then Art. 120 para. 3 FMIA applies. Whoever has discretionary powers to exercise voting rights is subject to notification duty; alternatively, the legal entities directly or indirectly controlling this entity can report all positions on a consolidated basis.

The Company's information about the exact holding position of individual shareholders depends on and is derived from the reports filed with SIX and the Company by such shareholders. As at December 31, 2021, the following shareholders reported holdings of 3% or more of the equity capital and therefore, voting rights of Newron (the number of shares shown in the below table as well as the holding percentages are based on the last disclosure of shareholding notification reported by such shareholder to SIX and the Company in accordance with Article 120 et seq. FMIA; the number of shares held by the relevant shareholder and/or the holding percentages may have changed since the date when the respective notification was made):

| Shareholder | Note | Number of Voting rights reported | % of voting rights reported |
|---|------|----------------------------------|-----------------------------|
| Zambon Company S.p.A. Bresso, Italy (The shares are indirectly held by GEFIM S.p.A., Milan, Italy) (SIX publication date: October 10, 2017) | | 785,448 | 4.41% |
| European Investment bank, Luxembourg, Grand Duchy of Luxembourg Warrants under an investment agreement and option rights agreement, for further details please see the individual report of significant shareholdings under: https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TAL9800040 (SIX publication date September 9, 2021) | | 655,825 | 3.68% |

The individual reports of significant shareholders can be found on the website of SIX Swiss Exchange (SIX): <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?issuedBy=NEWRONPH#/> (Issuer: Newron Pharmaceuticals S.p.A.). Any changes in the shareholder structure since December 31, 2021, can also be found on this website.

Furthermore, Newron Pharmaceuticals S.p.A. – on October 21, 2021 – notified SIX that it held 2,701,957 rights corresponding to 15.14% of the voting rights as sale positions in connection with several granted derivative holdings such as options and warrants. Since then, the number of sale rights held by the Company has marginally changed.

Cross-shareholdings

As of December 31, 2021, there are no cross-shareholdings in excess of 5% of capital or voting rights with any other company.

Capital Structure

| Amount in EUR | December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|-------------------|
| Number of ordinary shares with par value of EUR 0.20 | 17,845,345 | 17,845,345 | 17,845,345 |
| Share capital | 3,569,069 | 3,569,069 | 3,569,069 |
| Number of authorized shares with par value of EUR 0.20 | 0 | 0 | 0 |
| Authorized share capital (up to) | 0 | 0 | 0 |
| Number of conditional shares with par value of EUR 0.20 | 1,025,001 | 1,025,001 | 1,025,001 |
| Conditional share capital (up to) | 205,000.20 | 205,000.20 | 205,000.20 |

As of December 31, 2021, Newron's outstanding share capital was EUR 3,569,069.00, consisting of 17,845,345 ordinary shares with a nominal value of EUR 0.20 each. All shares are fully paid in.

As of December 31, 2021, Newron had conditional (pre-authorized) capital of EUR 205,000.20, representing 1,025,001 Newron's ordinary shares with a nominal value of EUR 0.20 per share, related to the purpose of implementing stock-based incentive compensation plans for employees and directors of the Company and its subsidiaries. The maximum amount of the conditional capital of EUR 205,000.20 equates to 5.74 of the existing share capital. The period to carry out an increase in conditional capital lasts until September 2027.

Changes in capital

On March 31, 2020, an extraordinary Board meeting resolved, inter alia, to increase the share capital with exclusion and/or limitation of option rights pursuant to article 2441, parts 5, 6 and/or 8 of the Italian Civil Code, up to Euro 72.377,20 as a nominal value and, therefore, up to no. 361.886 ordinary shares of Newron Pharmaceuticals S.p.A. to serve one or more incentive plans.

Shares and participation certificates

As of December 31, 2021, Newron's outstanding share capital was EUR 3,569,069.00, consisting of 17,845,345 ordinary shares with a nominal value of EUR 0.20 each. All shares are fully paid in.

Each share is entitled to one vote at the shareholders' meeting. All shares are entitled to full dividend rights. In the event of a capital increase through the issuance of new shares, the existing shareholders have subscription rights in proportion to their existing shareholding, unless the shareholders' meeting restricts or excludes such rights for important reasons, in particular, in connection with the acquisition of investments or employee participation.

Newron has not issued any non-voting participation certificates.

Dividend-right certificates

Newron has not issued dividend-right certificates (*Genussscheine*).

Transfer of shares

The transfer of shares is affected by corresponding entry in securities accounts, which record the transfer of financial instruments opened with authorized financial intermediaries and in accordance with the applicable law. Upon registration of the transfer and upon request of the shareholder, the financial intermediaries shall inform the Company of the transfer of shares, and the Company shall update the Libro Soci (Shareholders' Ledger) in accordance with Italian law. A shareholder may ask for his registration at any time. No restrictions apply to the transferability of Newron shares. For the year 2021, the transfer of Newron's shares has been exempted from taxation under the Italian Financial Transaction Tax IFTT. The exemption will be valid also for the year 2022 (<https://www.newron.com/investors/shareprice-information>).

Convertible bonds

Newron has no convertible bonds outstanding.

Warrants

Newron entered into a EUR 40 million funding facility with the European Investment Bank (EIB) on October 29, 2018. In connection with the disbursement of borrowings under the EIB Loan, Newron is obligated to issue EIB warrants to purchase up to 807,169 ordinary shares at an exercise price of EUR 9.25 per share. The warrants are divided into five tranches, with the first tranche consisting of warrants to purchase 201,793 ordinary shares and each of the remaining four tranches consisting of warrants to purchase 151,344 ordinary shares.

Upon issuance, the warrants are subject to lock-ups and may not be exercised until the earlier of: (i) in the case of the first tranche of warrants, the repayment in full of the first tranche of the EIB Loan and March 15, 2024, (ii) in the case of the second tranche of warrants, the repayment in full of the second tranche of the EIB Loan and September 15, 2025, (iii) in case of the third tranche of warrants, the repayment in full of the third tranche of the EIB Loan, respectively, and September 15, 2025, and (iii) in the case of the fourth and fifth tranches of warrants, the repayment in full of each respective tranche of the EIB Loan, respectively, and September 15, 2026. As of December 31, 2021, all tranches have been granted to Newron. The warrants will expire as at November 30, 2028.

Stock-based remuneration

2013 Stock Option Plan

By decision of the Board dated January 18, 2013, the 2013 Stock Option Plan was established, and up to 560,000 stock options were allocated to this plan. Of these, by January 18, 2013, 493,496 options were granted to Company's and its subsidiaries' employees, consultants, and directors of the Company. The exercise price for these options is EUR 6.32. Further 28,500 options were granted to new directors and one new employee on April 18, 2013. The exercise price for these options is EUR 6.66.

During 2013, 7,500 of the options granted were waived by employees leaving the Company. As a result, by December 31, 2013, 514,496 options were still validly granted to the beneficiaries. During 2014, further 32,500 of the options granted were waived by employees leaving the Company. As per December 31, 2015, 72,384 of these options were exercised and 409,612 were left of which 389,612 options at a strike price of EUR 6.32 and 20,000 at a strike price of EUR 6.66.

During 2016, 21,875 of the options granted were exercised of which 6,750 at an exercise price of EUR 6.66 and the remaining 15,125 at an exercise price of EUR 6.32.

During 2017, 59,563 of the options granted were exercised of which 53,563 at an exercise price of EUR 6.32 and the remaining 6,000 at an exercise price of EUR 6.66.

During 2018, 8,000 of the options granted were exercised at an exercise price of EUR 6.32.

As of December 31, 2021, 320,174 options were left, all vested. The options will expire as at March 31, 2023.

2014 Stock Option Plan

By decision of the Board dated January 28, 2014, the 2014 Stock Option Plan was established, and up to 192,267 stock options were allocated to this plan.

Of these, by January 28, 115,773 were granted to Company's and its subsidiaries' employees, consultants, and directors of the Company. The exercise price for these options is EUR 13.94. Further 76,494 options were granted to new employees and new directors on July 16, 2014. The exercise price for these options is EUR 13.88.

During 2015, 4,492 of the options granted were waived by employees leaving the Company. In 2016 and 2017 respectively a number of 2,227 options and 4,614 options were exercised at an exercise price of EUR 13.94. As a result, by December 31, 2021, a total of 180,934 were still validly granted to the beneficiaries, of which 104,440 options at a strike price of EUR 13.94 and 76,494 options at a strike price of EUR 13.88: all options are vested. The options will expire as at March 31, 2023.

2015 Stock Option Plan

By decision of the Board dated June 4, 2015, the 2015 Stock Option Plan was established, and up to 400,000 stock options were allocated to this plan.

Of these, by June 4, 2015, n. 229,091 were granted to Company's and its subsidiaries' employees, consultants, and directors of the Company. The exercise price for these options is EUR 28.14. Further 48,373 options were granted to employees on September 10, 2015, and on November 19, 2015, of which 19,918 were granted at an exercise price of EUR 24.90 while the remaining 28,455 were granted at an exercise price of EUR 25.41. On July 27 and September 9,

2016, the Board granted additional 36,992 options to new Newron's employees of which 8,537 were granted at a strike price of EUR 15.22 while the remaining 28,455 were granted at a strike price of EUR 20.22. During 2017, 28,455 options were waived by an employee leaving the Company and additional 113,999 options were granted to Company's and its subsidiaries' employees, consultants, and directors of which 36,992 were granted at a strike price of EUR 21.87 and the remaining 77,007 at a strike price of EUR 15.97. During 2018, 7,309 of the options granted were waived by employees leaving the Company. During 2019, 7,551 of the options granted were waived by an employee leaving the Company. During 2020 additional 2,908 options, were waived by employees leaving the Company.

As of December 31, 2021, a total of 382,232 options have been granted under the 2015 Stock Option Plan: all options are vested. The options will expire as at March 24, 2025.

2017 Stock Option Plan

By decision of the Board dated September 5, 2017, the 2017 Stock Option Plan was established, and up to 277,806 stock options were allocated to this plan of which, 260,732 were granted at the same date to Company's and its subsidiaries' employees, consultants, and directors. The exercise price for these options is EUR 15.97. During 2018, 13,948 of the options granted were waived by employees leaving the Company. During 2019, 6,974 of the options granted were waived by an employee leaving the Company. During 2020, 2,617 of the options granted were waived by employees leaving the Company; on December 22, 2020 – following the offer made by the Board to swap options assigned under ESOP 2017 for new options conditionally assigned on December 22, 2020 (for additional Info, please refer to the below paragraph 2020 December Stock Option Plan) several Company's and its subsidiaries' employees have voluntarily waived a total of 152,736 options.

As of December 31, 2021, a total of 102,953 options were granted, of which 93,524 are vested, 4,715 will vest in 2022 while 2,358 and 2,356 will vest respectively in 2023 and 2024. The options will expire as at September 8, 2027.

2018 Stock Option Plan

By decision of the Board dated July 5, 2018, the 2018 Stock Option Plan was established, and up to 410,259 stock options were allocated to this plan, of which 344,808 were granted at the same date to Company's and its subsidiaries' employees, consultants, and directors. The exercise price for these options is EUR 10.06. On November 8, 2018, the Board granted additional 54,066 options to new and existing Newron employees at a strike price of EUR 7.27. On March 31, 2020, the Board granted additional 46,951 options to new and existing Newron' employees at a strike price of EUR 4.40. During 2018, 13,046 of the options granted were waived by employees leaving the Company. During 2019, 18,257 of the options granted were waived by an employee leaving the Company. During 2020 additional 35,321 options were waived by employees leaving the Company and its subsidiaries. During 2021 additional 14,228 options were waived by employees leaving the Company and its subsidiaries.

As of December 31, 2021, a total of 364,973 options were granted, of which 256,308 are vested while 94,438 will vest in 2022, 7,113 will vest in 2023 and the remaining 7,114 in 2024. The options will expire as at July 4, 2028.

2020 March Stock Option Plan

By decision of the Board dated March 31, 2020, the 2020 March Stock Option Plan was established, and up to 410,259 stock options were allocated to this plan, of which 361,886 were granted at the same date to Company's and its subsidiaries' employees, consultants, and directors. The exercise price for these options is EUR 4.40.

On June 17, September 8 and December 1, 2021, the Board granted additional 54,066 options to new Newron's employees of which 36,992 were granted at a strike price of EUR 2.27; 8,537 options were granted at a strike price of EUR 1.93 while the remaining 8,537 options were granted at a strike price of EUR 1.83. During 2020, 12,923 of the options granted were waived by employees leaving the Company and its subsidiaries. During 2021, additional 16,156 of the options granted were waived by employees leaving the Company and its subsidiaries.

As of December 31, 2021, a total of 386,873 options were granted, of which 166,400 will vest in 2022; 110,228 options will vest in 2023; 96,726 options will vest in 2024 and the remaining 13,519 in 2025. The options will expire as at July 4, 2028.

2020 December Stock Option Plan

To incentivize the efforts of employees and certain consultants directed at the growth of the Company and its subsidiaries and with the aim to retain its employees and managers in the medium term, during the meeting held on December 22, 2020, the Board approved the 2020 December Stock Option Plan allocating up to 134,802 options. The Plan differs from the previous ones mainly for the following reasons: a) options were not allocated to Newron' Directors; b) to receive these options, recipients must voluntarily waive the options they were granted under the ESOP 2017; c) the new amount of options granted is about 75% of the options waived and, d) the vesting of each tranche, is conditional to a defined trigger event (company objective). In the days following the Board meeting, all recipients have officially communicated to the Company their intention to waive the options granted under the 2017 ESOP. During 2021, 5,230 of the options granted were waived by employees leaving the Company and its subsidiaries.

As of December 31, 2021, a total of 129,572 options were granted at a strike price of EUR 1.97. The options will expire as at September 8, 2027.

As per December 31, 2021, the total volume of granted stock options under the above plans was 1,867,711 options to acquire one share, each, at nominal value of EUR 0.20 (plus premium) each, an equivalent of 10.47% of the total number of fully paid-in ordinary shares of the Company.

Please refer to the below table for a summary of the granted options as of December 31, 2021:

| Plan's name | Granting date | Exercise price (in EUR) | Expiring date | | | | Total |
|--------------------|---------------|-------------------------|----------------|----------------|----------------|----------------|------------------|
| | | | 31/03/2023 | 24/03/2025 | 08/09/2027 | 04/07/2028 | |
| ESOP 2013 | 18/01/2013 | 6.32 | 312,924 | | | | 312,924 |
| | 18/04/2013 | 6.66 | 7,250 | | | | 7,250 |
| ESOP 2014 | 28/01/2014 | 13.94 | 104,440 | | | | 104,440 |
| | 16/07/2014 | 13.88 | 76,494 | | | | 76,494 |
| ESOP 2015 | 04/06/2015 | 28.14 | | 225,391 | | | 225,391 |
| | 10/09/2015 | 24.90 | | 14,938 | | | 14,938 |
| | 19/11/2015 | 25.41 | | 28,455 | | | 28,455 |
| | 27/07/2016 | 15.22 | | 8,537 | | | 8,537 |
| | 24/02/2017 | 21.87 | | 34,857 | | | 34,857 |
| | 08/09/2017 | 15.97 | | 70,054 | | | 70,054 |
| | | | | | | | |
| ESOP 2017 | 08/09/2017 | 15.97 | | | 93,524 | | 93,524 |
| | 28/02/2020 | 6.10 | | | 9,429 | | 9,429 |
| ESOP 2018 | 05/07/2018 | 10.06 | | | | 313,754 | 313,754 |
| | 08/11/2018 | 7.27 | | | | 22,764 | 22,764 |
| | 31/03/2020 | 4.40 | | | | 28,455 | 28,455 |
| ESOP 2020 March | 31/03/2020 | 4.40 | | | | 332,807 | 332,807 |
| | | | | | | | |
| | 17/06/2021 | 2.27 | | | | 36,992 | 36,992 |
| | 08/09/2021 | 1.93 | | | | 8,537 | 8,537 |
| | 01/12/2021 | 1.83 | | | | 8,537 | 8,537 |
| ESOP 2020 December | 22/12/2020 | 1.97 | | | 129,572 | | 129,572 |
| Total | | | 501,108 | 382,232 | 232,525 | 751,846 | 1,867,711 |

Board of Directors

Members of the Board of Directors

The Company's by-laws establish that the Board shall consist of a minimum of four (4) and a maximum of eight (8) members. As announced on December 1, 2021, Robert Leslie Holland has informed the Board of Directors of his intention to step down as a Non-Executive member of the Board of Directors, effective December 31, 2021; on the same day, Newron has also announced that it does not anticipate making any Non-Executive Director appointments. As per December 31, 2021, Newron Board was then comprised of five (5) directors, who all have been elected by the ordinary shareholders' meeting as of March 31, 2020.

One of these directors was first elected in 2008. One member was first elected in 2012. One director was first elected in 2013. The remaining two directors were first elected in 2014. All directors are elected for the three-year term expiring on the date of the shareholders' meeting scheduled to approve Newron's financial statements for the year ending December 31, 2022. All Newron Board members are due for re-election at the same time. Board members can be re-elected for an unlimited number of terms. In case of replacements of Board members, the replacing new members take over the mandate for the left period of the leaving member. The shareholders' meeting elects the new members by individual vote.

Neither Newron's by-laws nor Italian company laws set a limit on the number of mandates a director can have in other companies (either listed or not).

The following table sets forth certain information about the Company's directors (more information can be found in the descriptions of each director below):

| Name | Position | Member since | Relevant external positions |
|------------------|---|---------------------|--|
| Ulrich Köstlin | Chairman, Non-executive director, Chairman of compensation and nomination committee | 2013 | Former member of Board of Management of Bayer Schering Pharma AG; Curator of the AREPO Foundation, Liechtenstein; Deputy Chairman on the Board of Constantia Flexibles AG. |
| Stefan Weber | Executive director, CEO | 2012 | Former CFO of Biofrontera and Girindus, Head of Finance Lohmann Group |
| Patrick Langlois | Non-executive director, Chairman of audit and risk committee, member of compensation and nomination committee | 2008 | Former CFO and Vice-Chairman of the Management Board of Aventis; General Partner of PJJ Conseils. Director on the Board of Directors and Chairman of the Audit Committee of Innate Pharma S.A. (France) and Chairman of BCELL DESIGN (France). |
| Robert Holland | Non-executive director, member of R&D committee | 2013 | Former VP & Head of Neuroscience Therapeutic Area at AstraZeneca, currently Senior Clinical Fellow at Sosei Heptares Therapeutics Ltd. Until 2018 consultant to the Wellcome Trust, Executive Director of Early Clinical Development Consulting Ltd. and CMO of Oxford Gene Technology Ltd (all U.K.). |
| Don deBethizy | Non-executive director, Chairman of R&D committee and member of the audit and risk committee | 2014 | Co-Founder, Former CEO & President of Targacept, Inc.; former President, CEO & director on Board of Management of Santaris Pharma; President of Innovent LLC (USA) and White City Consulting ApS (Denmark), as well as Managing Director of Albumin Holding ApS; Director at argenx NV (Netherlands), Lophora ApS (Denmark) and Proterris Inc (USA), as well as Chairman of the boards of Albumedix Ltd (UK) and Saniona AB (Denmark). |
| Luca Benatti | Non-executive director, member of R&D and audit and risk committees | 2014 | Co-founder, former CEO of Newron; current CEO and member of the Board of EryDel S.p.A.; Board member at Intercept Pharmaceuticals, Inc (USA) and Metis Precision Medicine (Italy); Chairman of Italian Angels for Biotech; member of the Strategic Advisory Board of Zambon S.p.A. and member of the Advisory Board of Soffinova Telethon Fund. |

None of the non-executive members of the Board as per December 31, 2021, was a member of Newron's management in the three financial years preceding the current year.

None of the Board members but Luca Benatti (who is a member of the Strategic Advisory Board of Zambon S.p.A.) or companies or organizations they represent had significant business connections with the Company or its subsidiaries. None of the Board members exercises official functions or holds political posts.



Ulrich Köstlin, Chairman of the Board since 2013. He was member of the Board of Management of Bayer Schering Pharma AG until 2011 and was responsible for multiple regions globally – Europe, Asia Pacific, Latin America, Japan and North America. He began his pharmaceutical career with Schering AG as a management trainee in 1982. Over the years, he served as General Manager for several subsidiaries of Schering AG across the globe, including from 1990 to 1993 as Vice President Sales and Marketing

and General Manager Diagnostic Imaging of the U.S. subsidiary. In 1994, Ulrich was appointed to the former Schering AG's Executive Board. He currently serves as Curator of the AREPO Foundation, Liechtenstein and is Deputy Chairman on the Boards of Constantia Flexibles AG, Vienna. He holds multiple honorary positions in cultural institutions. Ulrich studied law at the Universities of Erlangen and Tübingen in Germany, and the University of Geneva in Switzerland. He holds a Dr. iur. Doctorate from Tübingen University and a Master of Laws (LL.M.) degree from the University of Pennsylvania Law School. Ulrich is the Chairman of Newron's compensation and nomination committee. He is a German citizen.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.



Stefan Weber, was appointed Chief Executive Officer and Executive Director of Newron in 2012. He had been Chief Financial Officer of the Company since April 2005. Stefan holds a master's degree in business management from FernUniversität Hagen (Diplom-Kaufmann). He has more than 30 years of industry experience in finance and general management. From 2001 to 2005, he was the Chief Financial Officer of Biofrontera, a company active in drug discovery and development. He joined Girindus, a

fine chemistry process development and scale-up provider, in 1999, and was appointed Chief Financial Officer in 2000. From 1987 to 1999, he was with Lohmann Group, a worldwide producer of pharmaceutical, medical, technical and consumer products. His final position was Head of Finance of the Group. Stefan has closed numerous major financing transactions, debt, equity, and mezzanine as well as obtained national and European grants. He has also executed successful IPOs to the Frankfurt and Zurich stock exchanges and has been involved in a number of M&A transactions, divestments and strategic restructurings. He is a German citizen.

Permanent management and consultancy functions for important Swiss and foreign interest groups besides those mentioned: none.



Patrick Langlois, a director since 2008, was the CFO and Vice-Chairman of the Management Board of Aventis from 2002 to 2005 and served for 30 years in various senior financial functions at Rhône-Poulenc and the Aventis Group in France and the USA. Prior to that, he was with Banque Louis-Dreyfus. He currently is General Partner of PjL Conseils, a consulting firm in healthcare. He holds a doctorate in economics from the University of Rennes (France). Patrick Langlois is Director on the Board of

Directors and Chairman of the Audit Committee of Innate Pharma S.A. (France) and Chairman of BCELL DESIGN, French Private Company in immuno oncology (France). He is a French citizen. Patrick is the Chairman of Newron's audit and risk committee and member of the compensation and nomination committee.

Permanent management and consultancy functions for important Swiss and foreign interest groups besides those mentioned: none.



Robert Holland, a director since 2013, served at Astra-Zeneca as a member of the R&D Leadership Team with roles including: Vice President & Head, Personalised HealthCare & Biomarkers 2010 to 2012; and Vice President & Head, Neuroscience Therapeutic Area 2005 – 2010. Currently, he is Senior Clinical Fellow at Sosei Heptares. Until 2018 he was Executive Director, Early Clinical Development Consulting Ltd., a consultant to the Wellcome Trust and Chief Medical Officer of Oxford Gene

Technology. Previously, Robert held positions in research and clinical development at Upjohn, Solvay, Rhone Poulenc, and the Wellcome Foundation and has served as a Non-Executive Director at Karolinska Development AB. He has extensive experience in the discovery, development, and commercialization of drugs for both neurological and psychiatric conditions and in the in-licensing and successful co-development of medicines originating from partner companies. He has been a lecturer at The Royal London Hospital and at Merton College, Oxford in human physiology and in anatomy, respectively. He holds an MD and a PhD from the University of Oxford. Robert is a member of Newron's R&D committee.

Robert is a British citizen.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.

Robert has stepped down from his position with effect as of December 31, 2021.



J. Donald (Don) deBethizy, PhD, a director since 2014, has more than 30 years of experience in managing and financing life science-related technologies and has played a key role in building and advising several life sciences companies. In his role as President, Chief Executive Officer and Director on the Board of Santaris Pharma A/S, he led the sale of the company to Roche. He co-founded Targacept, Inc. and served as its President and Chief Executive Officer for 15 years. Donald led Targacept's pri-

vate and public financings totaling approximately \$330 million, including the Company's Initial Public Offering (IPO) in April 2006. He played a key role in developing business relationships with GlaxoSmith-Kline, AstraZeneca, Aventis, and Dr. Falk Pharma, which generated non-dilutive revenues totaling over \$300 million. He holds a B.S. in Biology from University of Maryland and an M.S. and PhD from Utah State University. He is currently President of Innovent LLC (USA) and White City Consulting ApS (Denmark), Managing Director of Albumin Holding ApS, a Director at argenx NV (Netherlands), Lophora ApS (Denmark) and Proterris Inc (USA), as well as Chairman of the boards of Albumedix Ltd (UK) and Saniona AB (Denmark). Don is the Chairman of Newron's R&D committee and, since May 2019, member of the audit and risk committee. He is a U.S. citizen and resident of Denmark.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.



Luca Benatti, a director since 2014, is Chief Executive Officer and member of the Board of EryDel S.p.A. since 2012. He has over 30 years' experience in Pharma and Biotech. He was the Co-founder and CEO of Newron Pharmaceuticals (NWRN, Swiss Stock Exchange). Under his guidance, Newron developed a pipeline of innovative therapies including Xadago, approved worldwide for the treatment of Parkinson's disease. He is an independent Board member at Intercept Pharmaceuticals (ICPT, Nas-

daq), Newron Pharmaceuticals, Metis Precision Medicine, Chairman of the Italian Angels for Biotech, Member of the Strategic and of the Development Advisory Boards of Zambon, and Member of the Advisory Board of the Sofinnova Telethon fund. He has authored several scientific publications and holds numerous patents. Luca Benatti is an Italian citizen. Luca is a member of the R&D and the audit and risk committees.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.

Responsibilities and organization

Pursuant to the Company's by-laws, the Board has complete power over the administration of the Company's business, and it has the power to take actions deemed advisable for the pursuit of the Company's corporate purposes. Within the limits prescribed by Italian law, the Board may delegate its general powers to an executive committee and/or any executive director. The Board has delegated certain of its powers, excluding, amongst others, the conduct of litigation exceeding the value of EUR 300 thousand, expenditures exceeding more than 10% of the operating expenses as defined in the annual budget approved by the Board, entering into joint ventures, M&A, licensing, lending agreements exceeding EUR 1 million, variation in share option schemes, approval of the annual budget and actions on the intellectual property exceeding ordinary administration to the Company's Executive Director, Stefan Weber, whose functions include coordination and supervision of the Company's ordinary business within the limits set out before.

Although the Company's by-laws specifically permit the Board to appoint an executive committee, as of December 31, 2021, this right has not been exercised by the Board. The Board also determines the duration of the term of the Company's Executive Director. The Chairman of the Board, any Deputy Chairman as well as any director are the legal representatives of the Company. The Board and any director may delegate the power to carry out certain acts within the scope of their respective authority.

The Company's directors are elected at the Company's annual ordinary meeting of shareholders for a term of up to three financial years (save for any different shareholder's resolution for a shorter term). During the meeting, shareholders are requested to express their favorable or contrary vote to the appointment of each candidate. The Company's directors may be reelected for an unlimited number of consecutive terms. If the shareholders fail or skip to elect a Chairman at the shareholders' meeting, the members of the Board elect, from amongst themselves, the Chairman, and one or more Deputy Chairmen and/or Executive Directors.

Under Italian law, directors may be removed from office at any time by a shareholders' resolution. However, if removed without "just cause", such director may have a claim for damages against Newron. The Company's directors may resign at any time by written notice to the Board of Statutory Auditors. Further to such removal or resignation, the Board may appoint substitute directors, subject to the approval of the Company's Board of Statutory Auditors, who will serve until the next general meeting of shareholders.

Meetings

Meetings of the Board may be called by the Company's Chairman or any Deputy Chairman, Executive Director or two directors by notice setting forth the matters to be discussed at the meeting, to be sent at least five days (or in cases of urgency, at least one day) before the date of the meeting. The minimum quorum required for Board meetings is a majority of the Company's directors in office. Board meetings are chaired by the Company's Chairman or, if the Chairman is absent or otherwise unable to act, by any Deputy Chairman, the Company's Executive Director or any other person appointed by the Board. Resolutions are adopted by a majority vote of the directors present at the meeting.

In 2021, a total of seven (7) meetings of the full Board were called. All of them, due to the Covid-19 pandemic, were held by phone/videoconference. In addition, both the Audit and risk committee and the Compensation and nomination committee convened by phone/videoconference two (2) times. The R&D committee convened by phone/videoconference five (5) times. Generally, the physical meetings of the full board are mostly called on a quarterly basis and usually take a business day while the phone meetings are called upon requirement and usually take between one and two hours. In 2021, because of the difficulties in organizing international travels and the issues related to physical meetings, the Company decided to skip physical Board meetings and instead had extended (from 2 up to 4 hours) videoconference meetings. The committee meetings usually take between half an hour and two hours. The committees have a predetermined annual agenda to ensure that important reviews take place at the appropriate time throughout the year. The Board undergoes a periodic self-review to ensure continued effectiveness.

Members of senior management attend all Board meetings and as described below, those committee meetings in which a senior manager acts as main contact to report on areas of the business within their responsibility, to present proposals for decision and to participate, if requested by the Board, to the discussion prior to a vote being taken by the Board.

In 2021, external advisors were participating during one meeting of the Board: the topics discussed refer to the new Data Protection Laws and the yearly report by the Data Protection Officer.

Information and control instruments

The Board ensures that it receives sufficient information from senior management to perform its supervisory duty and to make decisions that are reserved for the Board. The Board obtains the information required to perform its duties through several means.

The members of the Board, on a quarterly basis (or more frequently if requested by directors ahead of planned meetings) receive a comprehensive management report designed to provide them with an update on business activities in general and relevant developments with regard to clinical trials and preclinical activities, the collaboration with licensing partners, as well as on legal, business development and financial matters. The reports are subject to discussion during the Board meetings, which senior management regularly attends. With regard to the committees as described below, the CEO is the main contact to the members of the compensation and nomination committee, while the Vice President Finance (cf. Section on Senior Management, page 29) takes this function towards the members of the audit and risk committee and the Chief Medical Officer (cf. Section on Senior Management, page 28) towards the members of the R&D committee. Yet, decisions might be taken by the members of the Board as well as each committee without the attendance of senior management, but following presentation of facts by, and discussion with senior management.

Members of the Board and the committees usually do not participate in meetings of senior management.

Management provides the Board annually with a consolidated financial budget for the next business year for the parent company and the subsidiaries, and regularly, senior management presents to the Board strategic considerations for review, discussion, and decision.

The Board and the committees closely follow the progress on the major activities, as presented by management. Analyses of deviations are to be provided and explained in writing

regularly, required action will be closely monitored via update phone calls. Each member of the Board may demand information on any business of Newron's affairs and may inspect all books, business files and corporate documents upon request at any time.

On a quarterly basis, the Board of Statutory Auditors is updated as well, as required by Italian law (please see at page 26). The permanent observation and control of the Company's risks is a management objective. For identified risks, mainly clinical development and financial risks, a risk assessment is performed. Appropriate actions (including for example the performance of additional preclinical or clinical studies, fundraising activities etc.) are defined and executed to minimize the risk. Management and Board of the Company during the Board meetings review the identified risks, discuss, and decide on the measures and reassess the situation after an adequate period of time. Due to the size of the Company, there is no internal auditing function in place.

Committees

The Board has formed three permanent committees, an audit and risk committee, a compensation and nomination committee and a research and development (R&D) committee to support its work. The overall responsibility of the Board is not limited by these committees. The role of such committees is to exercise review and control and to report the findings to the Board and to express certain recommendations to the Board, while decisions are finally taken by the Board, with the exception described below for the compensation and nomination committee.

As at December 31, 2021, the audit and risk committee consisted of Patrick Langlois (Chairman), Luca Benatti and Donald deBethizy, each of whom is a non-executive member of the Board. The audit and risk committee meets at the option of its members on the same date as the Company's scheduled Board meetings and at such other times as its chairperson deems it appropriate. Main objectives of the committee are to contribute to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of financial information and the compliance with laws and regulations, including the by-laws, the internal procedures, and the internal control system – including risk management and issuing recommendations to the Board regarding the acceptance of the Company's annual budgets and accounts. The committee's chairperson reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. For further detail with respect to the audit committee, please see Note "Auditors" on page 40.

As at December 31, 2021, the compensation and nomination committee consisted of Ulrich Köstlin (Chairman) and Patrick Langlois, each of whom is a non-executive and independent member of the Board. The main tasks of the compensation and nomination committee are to review periodically the Company's remuneration strategy, to review and approve corporate goals and objectives relevant to compensation, to evaluate the performance of the Company's executives, to propose to the full Board the compensation of the executive director, to set the compensation of the other executives, to make recommendations to the full board on the remuneration of the non-executive directors of the Company, to review incentive compensation and equity-based plans and make recommendations to the full board on such plans, to review the Company's executive succession plan and make recommendations to the full Board and to approve dismissal and redundancy plans.

This committee meets at the option of its members on the same date as the Company's scheduled Board meetings and at such other times as its chairperson deems appropriate. The committee's chairperson reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

As at December 31, 2021, the R&D committee consisted of Don deBethizy (Chairman), Robert Holland (with effect from December 31, 2021 Robert Holland was no more longer a director of Newron), and Luca Benatti, each of whom is a non-executive and independent member of the Board. The main tasks of the R&D committee are to evaluate the research and development strategies of the Company, to review and report to the Board scientific trends and emerging areas of science relevant to the Company strategy, to review and evaluate internal research and development projects from a scientific and strategic perspective, to review and provide guidance related to business development opportunities, to assist the Company in developing and accessing a network of world class scientific advisors for the purposes of guidance as well as for the identification and attraction of new opportunities and to review the Company's compliance systems with reference to scientific and regulatory matters.

This committee meets at the option of its members on the same date as the Company's scheduled Board meetings and at such other times as its chairperson deems appropriate. The committee's chairperson reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

Board of Statutory Auditors

Pursuant to Italian Law, in addition to electing the Board, the Company's ordinary shareholders' meeting also elects a board of statutory auditors, which is required to meet at least once every 90 days. Members of the Company's Board of Statutory Auditors are elected for a three-year term with a voting list (voto di lista) system.

The Company's current Board of Statutory Auditors has been elected on April 2, 2019, for a three-year term expiring upon the approval of the Company's financial statements for the year ending December 31, 2021. The Board of Statutory Auditors is composed of three permanent statutory auditors, plus two alternate statutory auditors who would automatically replace a permanent statutory auditor who resigns or otherwise becomes unable to perform its duties. At least one regular member of the Board of Statutory Auditors and one alternate member must be selected among those registered with the national register of auditors (Registro dei Revisori Contabili). The other members, if not registered with the national register of auditors, must be registered in specific professional register or must be chosen among permanent university professors of economics or law. All members of the Company's Board of Statutory Auditors are registered with the national register of Auditors.

The Company's Board of Statutory shall supervise the observance of the law and the by-laws, compliance with the principles of proper management and on the adequacy of the organization, administrative and accounting structure adopted by the Company and on its functioning. In particular, it is required to supervise the Company's activities in order to determine compliance with the by-laws and applicable Italian law, as well as report specific matters to the shareholders and to the court. The Board of Statutory Auditors, among other things, shall supervise (i) that the Company be managed in a sound manner and (ii) that the Company's internal auditing, accounting and administrative procedures be adequate. The

review of the Company's books and records performed by its Board of Statutory Auditors does not constitute an audit in accordance with Italian auditing standards.

The Board of Statutory Auditors issues an annual report (Relazione al bilancio di esercizio) on the Company's annual accounts which shall remain on deposit at the legal address of the Company during the fifteen days which precede the shareholders' meeting that approves the statutory yearly financial statements.

Members of the Company's Board of Statutory Auditors must receive notice of, and are required to attend, meetings of the Board, shareholders' meetings, and meetings of any executive committee of the Board.

The following table sets forth certain information about the current members of the Company's Board of Statutory Auditors, who have been appointed by the shareholders' meeting of April 2, 2019:

| Name | Position | Member since |
|-------------------|---|---------------------|
| Richard P. Murphy | Chairman of the Board of Statutory Auditors | 2002 |
| Lucio G. Ricci | Permanent auditor | 2002 |
| Massimo Giaconia | Permanent auditor | 2013 |
| Chiara Peja | Alternate auditor | 2010 |
| Alessandro Isacco | Alternate auditor | 2013 |

Each of the members of the Company's Board of Statutory Auditors also serves as statutory auditor for several other Italian and pharmaceutical companies.

Senior Management

Members of the senior management

| Name | Position at the Company |
|---------------|---|
| Stefan Weber | Chief Executive Officer, Executive Director |
| Ravi Anand | Chief Medical Officer |
| Marco Caremi | Executive Vice President Business Development |
| Roberto Galli | Vice President Finance |
| Dennis Dionne | Vice President Commercial Affairs |

For a biography of Stefan Weber, Newron's CEO, see page 20.

None of the members of the senior management is a member of governing and supervisory bodies of important Swiss or foreign organizations, institutions, and foundations outside of Newron. None of the members of the senior management holds permanent management or consultancy functions for important Swiss or foreign interest groups, and none of them has official functions or holds political posts besides those mentioned. None of them has previously covered functions for Newron or one of Newron's subsidiaries besides those mentioned below.

Neither Newron's by-laws nor Italian company law set a limit on the number of mandates a member of the senior management can have in other companies (either listed or not).



Ravi Anand, a Swiss resident, has been the Company's Chief Medical Officer since 2005. He received his university education in New Delhi, India, and his medical training, specialising in psychiatry and neurology, in the U.S. For over 25 years, Ravi has worked in international drug development and regulatory affairs at major pharmaceutical companies, including F. Hoffmann – La Roche (Switzerland), Sandoz/Novartis (USA) and Organon (Netherlands). From 1993 to 1997, Ravi was the Medical

Director of CNS, Clinical Research at Sandoz Research Institute. From 1997 to 2001, he served as the international Head of CNS Medical Affairs at Novartis and, from 2001 to 2003, as the global Head of CNS Clinical Research at Organon. Since 2003, Ravi has been acting as a consultant for Newron and other clients. During his tenure in the pharmaceutical industry, he worked in all phases (I through III) of drug development as well as in post-marketing studies (Phase IV). In total, he has been responsible for the conduct of clinical trials in over 30 countries and been involved in over 30 investigational new drug applications, and over seven international new drug applications. He has published over 50 papers and 200 abstracts, posters, and presentations.

He is both a U.S. and a Swiss citizen.



Marco Caremi has been Executive Vice President Business Development since 2012. Since September 2002, he held various Vice President positions at the Company. Marco holds a degree in Natural Science from the University of Milan and successfully completed the Accelerated Development Programme at the London Business School. He has nearly 40 years of experience in the pharmaceutical industry. From 1998 to 2002, he was the Director of Business Development at Schwarz Pharma S.p.A., where

he was responsible for researching and evaluating all in- and out-licensing deals, analysing companies for potential acquisitions and developing strategic plans for forthcoming market opportunities. From 1996 to 1998, he was the Business Development Manager at Schering-Plough S.p.A. From 1990 to 1996, Marco held several marketing and sales positions at Schering-Plough S.p.A. Before that, he was a sales representative, sales specialist and sales district coordinator at Polifarma S.p.A.

Marco Caremi is an Italian citizen.



Roberto Galli has been Vice President Finance since 2012. He has almost 25 years of experience in industry finance and auditing. He joined Newron in 2002. He has held several management positions within the Finance Department and has been involved in the Company's IPO, as well as M&A and other strategic corporate transactions: he was instrumental in finalizing the EIB funding facility. Before joining Newron, he was Senior Auditor & Business Advisor at PricewaterhouseCooper (PwC), leading

auditing projects in mid-size and listed companies/groups. He started his career as an auditor at Coopers&Lybrand. He holds a degree in business economics from the University Luigi Bocconi in Milan and is registered with the national register of auditors. He is also a member of the Italian Angels for Biotech Association.

Roberto Galli is an Italian citizen.



Dennis Dionne has been Vice President of Commercial Affairs since January 2017. He joined Newron Pharmaceuticals as Executive Director of Commercial Operations in 2015. Dennis has tremendous experience in the CNS arena and served in a variety of commercial leadership roles at Johnson & Johnson (21 years), at Novartis (6 years), and has pioneered a number of small venture start-ups. He has proven abilities in planning and management at both strategic and operational levels, including build-

ing full life-cycle commercial strategies at the pre-launch stage and managing the business through various stages of growth. Dennis holds a BA in Biology & Chemistry from Roger Williams University, Bristol, RI and has successfully completed executive leadership programs in general management and operational leadership, commercial policies and practices, marketing and project management and global cross functional team leadership.

Dennis Dionne is a U.S. citizen.

Management contracts

The Company does not have management contracts with third parties.

Compensation, Shareholdings and Loans

In line with Italian law, the maximum total annual compensation for the members of the Board is proposed to the shareholders' meeting by the Company's management and Board and approved by decision of the shareholders' meeting. The current maximum compensation of EUR 320,000 per year was approved by the shareholders' meeting of March 31, 2020, and, is applicable for the three years-term expiring on the date of the shareholders meeting scheduled to approve Newron's financial statements for the year ending December 31, 2022. Directors' maximum compensation is based on a review of European peer companies' remuneration schemes as per analyses performed by a leading human-resources consulting firm in 2015 and 2017 (for detail, see below). It is within the competence of the compensation and remuneration committee to propose to the full Board the allocation of all or a part of the maximum total remuneration to the individual members, mainly according to their role and responsibilities within the Board and its committees. The resolutions are taken by the majority of the Directors present during the meeting. As per December 31, 2021, the compensation of the members of the Board consists of a fixed annual remuneration of EUR 64,614 for the Chairman of the Board and EUR 35,538 for the other members of the Board.

The Chairman of the compensation and nomination committee qualifies for an additional remuneration of EUR 8,077, whereas the Chairmen of the R&D committee and the audit and risk committee qualify for an additional remuneration of EUR 10,769, each.

The other members of the committees qualify for an additional remuneration of EUR 5,384.

Effective January 1, 2022, the above compensations will be increased by 3% in line with an average inflation rate.

Furthermore, non-executive directors are participating to the 2013, 2014, 2015, 2017, 2018 and March 2020 Company stock option plans, based on capital increases approved by the Company's shareholders see page 14, 15, 16 and 17. Under such plans, till end of December 2021, non-executive directors have been allocated a total of 475,624 stock options, each (for details see page 33).

The amount of options allocated to directors are based on an assessment performed by the remuneration and compensation committee of European peer companies' remuneration schemes, in 2015, and during 2017 (for detail, see below). It is the current policy not to pay a variable cash remuneration to non-executive members of the Board.

For the fiscal year ended December 31, 2021, Stefan Weber has waived his compensation as member of the Board.

Generally, the compensation (base salary, bonus, and stock-based remuneration) of the members of the Senior Management (excluding the Executive Director's one, for which the full board decision is required under Italian law), is set and reviewed annually by the compensation and nomination committee of the Board, in accordance with Newron's compensation practice and suggestions received from the external advisor mentioned below. The review is based on experience of the members of the committee, publicly available information (e.g., peer companies' annual reports) as well as advice from a leading human resources consulting firm with regards to remuneration packages required to attract internationally experienced senior executive managers from the biopharmaceutical industry, including information available on peer companies. The compensation and nomination committee is required to inform the Board of the decisions taken.

In December 2017, the compensation and nomination committee of the Board as well as the full Board were presented a report on Board and senior management compensation (including annual salary; stock options and other benefits) by one of the leading human resources consulting firms, comparing Newron to peer companies in Europe (16, including amongst others AC Immune, CH; Biofrontera, Germany; Nanobiotix, France; Paion, Germany; Pharming Group, NL; Quotient, U.K.; Santhera Pharmaceuticals, CH; Silence Therapeutics, U.K.) and the United States (21, including amongst others, Adamas Pharmaceuticals, Curis, Intra-Cellular Therapies, Palatin Technologies, Revance Therapeutics, Syndax Pharmaceuticals, Verastem) with a comparable status of corporate and development project status, market cap, revenues and team size. When reviewing the results, the compensation and nomination committee proposed to the full Board who agreed to apply the 50th percentile of the European peer group's data. Because of the sarizotan results published on May 4, 2020, and the Covid-19 pandemic the compensation and nomination committee has delayed an updated analysis to the end of 2022. Since the last report, the advisor has not been awarded additional mandates.

Senior management compensation consists of base salary, cash bonus and stock-based remuneration (stock options, for more details see Note "Stock-based remuneration" on page 14). The maximum bonus for senior management is 30% (CEO: 50%) of the base salary, based on Company performance objectives as described below. In addition, Newron offers to senior management company cars (in Europe only), mandatory social security payments and certain life and disability insurance coverage.

The compensation and nomination committee of the Board sets, at the beginning of the year, Company performance objectives and attributes a weight to them in%. At year end, the committee decides at its own discretion on the level of achievement of the Company performance objectives: accordingly, all Newron Group' senior management members are rewarded in proportion of their personal level of bonus. These objectives are related to the key value drivers of the Company like development progress, licensing and M&A transactions, financing, and budgetary discipline.

For 2021, Company's senior management has been rewarded a bonus reflecting achievement of 50% of the Company objectives, among which: i) the resilience of the full team in light of the Covid-19 pandemic which allowed the Company to keep its development activities on going without major delays; ii) the start of the Evenamide phase III – potentially pivotal – study and the retention of the core team during this tough period.

The amount of options allocated to members of the senior management are based on an assessment performed by the remuneration and compensation committee of European peer companies' remuneration schemes, in 2015, and during 2017 (for detail, see above).

The total gross compensation of the members of the Board in 2021 is outlined below:

| (In thousand EUR) | Cash compensation (gross amount) | Stock options *** | Total 2021 | Total 2020 |
|---|----------------------------------|-------------------|------------|--------------|
| Ulrich Köstlin, non-executive Chairman, Chairman of compensation and nomination committee | 73 | 25 | 98 | 120 |
| Stefan Weber, executive director * | 414 | 96 | 510 | 582 |
| Patrick Langlois, non-executive director, Chairman of audit and risk committee, member of compensation and nomination committee | 52 | 25 | 77 | 99 |
| Robert Holland**, non-executive director, member of R&D committee | 41 | 25 | 66 | 89 |
| Don deBethizy, non-executive director, Chairman of R&D committee and member of the audit and risk committee (from May 2019) | 52 | 25 | 77 | 99 |
| Luca Benatti, non-executive director, member of R&D committee, member of audit & risk committee | 46 | 25 | 71 | 94 |
| Total | 678 | 221 | 899 | 1,083 |

* Full year remuneration in his function as CEO

** Resigned with effect from December 31, 2021

*** Evaluation under IFRS rules, not necessarily reflects personal income

For the fiscal year ended December 31, 2021, the aggregate compensation (consisting of statutory auditors' fees) paid by Newron to the Company's Board of Statutory Auditors was about thousand EUR 55 (2020: EUR 60).

The total gross compensation and the highest individual compensation of the members of the senior management in 2021 are outlined below:

| (In thousand EUR) | Base salary/ remuneration (gross amount) | Bonus (gross amount) | Stock options | Total 2021 | Total 2020 |
|-------------------------|--|----------------------|---------------|------------|------------|
| Ravi Anand, CMO | 955 | 57 | 43 | 1,055 | 1,151 |
| Total senior management | 2,175 | 274 | 343 | 2,792 | 3,146 |

Payments to former management and directors

None.

Share allotment

In the year ended December 31, 2021, no shares have been allotted to any members of the Board nor the senior management or parties closely linked to them.

The holdings of shares and stock options in Newron by members of the Board, senior management and parties closely linked to them as of December 31, 2021, are outlined below:

| | Shares * | Stock options | of which vested |
|---|-----------------|----------------------|------------------------|
| Ulrich Köstlin, non-executive Chairman of BoD | 40,249 | 40,658 | 26,634 |
| Stefan Weber, CEO, executive member of BoD | 20,351 | 236,334 | 161,578 |
| Patrick Langlois, non-executive director | 5,000 | 51,408 | 37,384 |
| Robert Holland, non-executive director | 0 | 44,408 | 30,384 |
| Don deBethizy, non-executive director | 0 | 51,408 | 37,384 |
| Luca Benatti, non-executive director | 0 | 51,408 | 37,384 |
| Ravi Anand, CMO | 32,040 | 152,325 | 99,996 |
| Marco Caremi, Executive Vice President Business Development | 0 | 97,431 | 60,053 |
| Roberto Galli, Vice President Finance | 2,500 | 117,682 | 80,304 |
| Dennis Dionne, Vice President Commercial Affairs | 0 | 174,625 | 110,331 |

* As far as the Company is aware.

The weighted average exercise price of the granted stock options is EUR 11.03. The exercise ratio in all cases is 1 share for 1 stock option. For additional information please refer to section “Stock based remuneration” above.

Additional fees and remunerations

No additional fees and remunerations have been charged to Newron by any member of the Board or of the senior management or parties closely linked to them for additional services performed during 2021.

Loans and credits to the Board and senior management in the sense of Article 15 of the Ordinance Against Excessive Compensation:

No loans or credits were granted during 2021 to current and former members of the Board or senior management. In addition, as of December 31, 2021, no such loans or credits were outstanding.

Compensation, loans and credits to related persons in the sense of Article 16 of the Ordinance Against Excessive Compensation

In 2021, no non-market standard compensation has been paid by the Company, whether directly or indirectly, to persons related to Board and senior management members of the Company.

No loans or credits at non-market conditions were granted during 2021 to persons related to Board and senior management members of the Company. In addition, as of December 31, 2021, no such loans or credits were outstanding.

Shareholders' Participation

Ordinary meetings

Ordinary shareholders' meetings must be convened at least once a year within 120 days after the end of the fiscal year (180 days in particular circumstances) for the approval of the financial statements. At ordinary meetings, if necessary, shareholders may also be called to appoint directors and statutory auditors, determine their remuneration, vote on whether the Company should take action against any directors or statutory auditors, and vote on any business matter submitted by the directors.

The quorum required for an ordinary shareholders' meeting of Newron is the presence of shareholders representing at least 50% of the Company's share capital (in the first call), whilst the following calls do not require any quorum for the validity of the meeting. In the event that the ordinary meeting is convened for a sole call, then the quorum provided for the ordinary meeting in the second call shall apply. Resolutions are approved by the shareholders representing absolute majority in first call or the majority of the shares present or represented at the meeting in following calls.

Extraordinary meetings

Extraordinary meetings of shareholders may be called to vote on proposed amendments to the by-laws, appointment, substitution and powers of liquidators and other resolutions provided by law.

The quorum required at an extraordinary shareholders' meeting of Newron (i) in the first call is the presence of shareholders representing at least 50% of Newron's share capital; (ii) in the second call is the presence of shareholders representing more than one third of Newron's share capital and (iii) in the third call is the presence of shareholders representing at least one fifth of Newron's share capital. In the event that the extraordinary meeting is convened for a sole call, then the quorum provided for the extraordinary meeting in the third call shall apply. At extraordinary meetings, resolutions must be approved by at least two-thirds of the share capital represented at such meetings (save for specific matters which require special majorities).

Notice of meetings

Notice of all shareholders' meetings of listed companies must be published in the Gazzetta Ufficiale, the Italian official gazette, or in at least one of the daily newspapers set forth in the by-laws, at least 15 days prior to the date set for the meeting. Pursuant to relevant provisions of the Company's by-laws, such notice will be published in the Italian daily newspaper MF Milano Finanza or, in the case that MF Milano Finanza is no longer published for any reason, in the Italian daily newspaper Corriere della Sera, or, in the case that Corriere della Sera is no longer published for any reason, in the official gazette of the Republic of Italy (Gazzetta Ufficiale). Pursuant to the Company's by-laws, such notice will also be published in the German language in the Swiss daily newspaper Neue Zürcher Zeitung, or, in the case that Neue Zürcher Zeitung is no longer published for any reason, in the Swiss daily newspaper TagesAnzeiger, and in the French language in the Swiss daily newspaper Le Temps or, in the case that Le Temps is no longer published for any reason, in the Swiss daily newspaper L'Agefi.

In addition, pursuant to Article 2366 of the Italian Civil Code, a meeting will be deemed duly convened if shareholders representing 100% of the Company's share capital, together with the majority of directors and the majority of members of the Board of Statutory Auditors, are present at the meeting. Persons attending may object to discussions of matters on which they have not been sufficiently informed.

Shareholders' meetings: (i) must be called promptly upon the request by holders of at least 5% of the share capital; (ii) may be called by the Board whenever it deems appropriate or (iii) may be called by the Board of Statutory Auditors or the president of the court having jurisdiction (Presidente del Tribunale), in the cases provided by law.

Attendance and voting rights

To attend any shareholders' meeting, a Company shareholder must give evidence of its status as shareholder. Accordingly, a shareholder has to ask the Bank where its shares are deposited, to send to the Company the so called "comunicazione dell'intermediario"/ "biglietto d'ammissione" (communication/admission ticket) requested by the Italian law. The above communication will allow the Company to recognize the shareholder and to know how many Company shares (i.e., voting rights) he holds: this communication must reach the Company at least one business day prior to the shareholders' meeting. The registration procedure may require up to 10 working days to be duly finalized. Therefore, the Company suggests its non-Italian shareholders to start it immediately after the publication of the official call of the shareholders' meeting.

For additional information regarding the attendance procedure, please check <https://www.newron.com/investors/shareholders-meeting> – at due time ahead of each shareholders' meeting.

Shareholders may appoint proxies by written means according to Article 2372 of the Italian Civil Code.

Italian law does not foresee explicit rules for shareholders to ask for inclusion of certain topics to the agenda if the shares of a company are not listed on an Italian market. Yet, shareholders representing in the aggregate 5% of the share capital of the Company could request the directors to call a shareholders' meeting, implying their right to propose topics to the agenda.

Each share is entitled to one vote at the shareholders' meeting. The by-laws of the Company do not contain any limitations on the voting rights in respect of shares held by any shareholder.

Minority shareholders' rights

Resolutions adopted at a shareholders' meeting are binding on all shareholders. Yet, under Italian law, any shareholder owning voting shares representing at least 0.1% of the stock of a listed company may, within specific terms, challenge any resolution of the shareholders in respect of which it has abstained from voting or cast a dissenting vote on the basis that the resolution was not adopted in conformity with applicable law or the by-laws; directors and statutory auditors may also challenge shareholders' resolutions on that basis.

Each shareholder may submit a complaint to the Board of Statutory Auditors regarding facts that such shareholder deems to be censurable, and the Board of Statutory Auditors must take any such complaint into account in its report to the meeting of the shareholders.

If shareholders collectively representing 2% of the Company's share capital submit a complaint, the Board of Statutory Auditors must promptly undertake an investigation and present its findings and any recommendations to a meeting of the shareholders (which must be convened by the Board of Statutory Auditors immediately if there appear to be grounds for the complaint and there is an urgent need to take action).

Shareholders representing in the aggregate at least 5% of the Company's share capital have the right to report major irregularities in the management of the Company to the relevant court. In addition, shareholders representing at least 2.5% of the Company's share capital may bring legal action against the directors of the Company. The Company may waive or settle the suit provided that (i) such waiver or settlement is approved by the ordinary shareholders' meeting and (ii) holders of more than 5% of the Company's share capital do not vote against such waiver or settlement. The Company will reimburse the legal costs of such action in the event that the claim of such shareholders is successful and: (i) the court does not award such costs against the relevant directors, statutory auditors or general managers; or (ii) such costs cannot be recovered from such directors, statutory auditors or general managers.

In addition, under Italian law, a single shareholder may bring an action against members of a company's board of directors in respect of damages directly suffered for negligence or willful misconduct.

Change of Control and Defence Measures

In line with Swiss law, which is applicable to Newron as an Italian entity since May 1, 2013, Newron's shareholders (and any direct or indirect holder, acquirer, or seller of shares) are required to comply with the provisions as set forth in Articles 125 ss. of the FMIA and pertinent regulations, including FMIO-FINMA Articles 30 ss. and the Ordinance of the Takeover Board on Public Takeover Offers of August 21, 2008, as amended ("TOO") (all such laws and regulations, the "Swiss Tender Offer Laws"). The Swiss Tender Offer Laws provide, among other things, that if a person acquires shares of a company, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of $33\frac{1}{3}\%$ of the voting rights (whether exercisable or not) of such company, that person must make an offer to acquire all of the listed shares of that company.

A Company's articles of incorporation may either eliminate application of the FMIA or may raise the relevant threshold to 49% ("opting out" or "opting up", respectively). The Company's by laws do not contain any opting out or opting up provision.

Should the Company as per the assessment by the Board experience an extraordinary transaction of severe impact on its corporate structure, the stock options as evidenced in Note "Share-based compensation" on page 14, which have not vested by that point in time will automatically vest upon such assessment and decision by the Board.

No other applicable agreements or schemes that benefit members of the Board and senior management do include change of control clauses. In particular, no agreements on severance payments in the event of takeover, special provisions on the cancellation of contractual arrangements, agreements concerning special notice periods or longer-term contracts exceeding twelve months or additional contributions to pension funds exist that protect the abovementioned persons in case of take overs.

Auditors

Upon proposal by the management and Board of the Company, on April 2, 2019, the shareholders' meeting has appointed EY S.p.A. as the Company's independent auditors in relation to the audit of the Company's financial statements for the three financial years until December 31, 2021. The recommendation by the Company's management and Board, who had asked alternative audit companies to provide offers for a of collaboration was based on the high quality of the audit team proposed by EY, its audit experience in the pharmaceutical industry, the capability to support international projects and the financial terms offered for the work expected to be done for Newron.

The auditor in charge, since review of the Half Year Report 2016, was Paolo Zocchi. In June 2021, EY informed the Company that, starting from the review of the Half Year Report 2021, the new auditor in charge would be Giovanni Luca Guerra.

EY will receive an expected fee of about thousands EUR 105 (2020: EUR 105) exclusively due to the audit of the Company's Italian GAAP Financial Statements, the financial statements of the subsidiaries under the local GAAP standards, and the Group's consolidated IFRS Financial Statements. Further fees of thousands EUR 13 (2020: EUR 36) were charged by EY for the audit procedures on royalty revenues received in 2021.

Supervisory and control instruments pertaining to the audit

The Board has installed an audit and risk committee, whose task is – amongst others – to discuss with the auditors the audit scope, audit and review procedures, significant reporting matters and fees and to assess the auditors' performance. The chairperson of the committee, Patrick Langlois, is responsible for the information of the full Board about the results of the meetings and the recommendations of the committee.

The duties of the audit and risk committee relating to the audit are:

- to consider the appointment of the external auditor, the audit fee, the independence and objectivity of the auditors and any questions of retirement, resignation or dismissal;
- to review the nature and scope of the audit, discuss the audit with the external auditor before it commences, and ensure coordination where more than one audit firm is involved;
- to review the annual financial statements before submission to the Board, focusing particularly on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from the audit; (iv) the going concern assumption; (v) compliance with accounting standards, (vi) compliance with legal requirements, and (vii) the Chairman's statement and statement of operations to be made in the Company's Annual Report;
- to review the results of the audit and its cost-effectiveness and in particular:
 - (i) to discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management where necessary);
 - (ii) to review the external auditor's management letter and management's response and
 - (iii) to consider any significant ventures, investments or operations which are not subject to external audit;
- to review the annual budgets of the Company;
- to review annually the Company's systems of internal control (including financial, opera-

tional and compliance controls and risk management) prior to review by the Board and from time to time to make recommendations to ensure the maintenance of a sound system of internal control to safeguard shareholders' investment and the Company's assets.

In 2021, the audit committee has held two meetings with EY S.p.A., during which the members were presented the planned audit scope, timelines, budget, and results of the work performed by EY S.p.A. in auditing the IFRS Consolidated Financial Statements and the Italian GAAP Financial Statements for Newron for the year 2020, in reviewing the Interim Consolidated Financial Statements for the six months ended June 30, 2021, as well as the other services provided by EY S.p.A. The members of the audit and risk committee do regularly give their input to such presentations and might ask for changes or a special focus of the audit/review work, thereby controlling audit focus, performance, and cost.

During these meetings, EY S.p.A. reports any material findings of their audit and review procedures to the members of the committee as well as the Vice President Finance of the Company. In a separate part, to which members of the management of the Company do not attend, the members of the committee interrogate EY S.p.A. for any potential weaknesses in the Company's systems of internal control. The essence of the results of these meetings is reported by the Chairman of the audit and risk committee to the members of the Board.

The committee on an annual basis evaluates the performance of EY S.p.A. and decides on its recommendation to the Board whether EY S.p.A. should be proposed to the shareholders' meeting for re-election, when due.

Criteria applied include technical and operational competence, independent and objective view, sufficient and competent resources employed, focus on areas of importance to Newron, willingness to challenge, ability to provide appropriate and pragmatic recommendations and effective communication as well as open dialogue and coordination with the committee and management.

Information Policy

Newron undertakes significant efforts to keep its shareholders informed, as otherwise achievements cannot be considered properly by capital markets and the interested public, thus leaving shareholders with suboptimal stock price performance.

We regularly update the corporate website (www.newron.com), provide the regular (Annual Report, Half year Report) and extraordinary reports (directors' dealings, status of authorized capital, ad hoc news and publications) to SIX Swiss Exchange, the Duesseldorf Exchange and the general public, routinely visit conferences to present the Company to opinion leaders and multipliers of public opinion and talk to analysts and the press. All interested parties have the possibility to directly receive from Newron free and timely notification of potentially price-sensitive facts via our web page pull service

<https://www.newron.com/news-and-media/regulatory-news/year/all>

and our web page push service, where interested parties can register under here:

<https://www.newron.com/investors/email-alerts>

It is our aim to reach out to all potentially interested addressees in the field and once attracted to Newron, keep them up to the news. In order to keep satisfaction at high levels, we do commit to give a true and fair view to the news. Newron's PR and IR representatives are at your disposal.

Important dates for 2022

- Annual General Meeting of Shareholders: April 5, 2022, in the Company's offices at Via Antonio Meucci 3, 20091 Bresso (Mi), Italy
- Publication of half-year results: September 15, 2022

Quiet periods

The Company does not tolerate insider dealing and considers insider dealing as being apt to damage the Company's image. Therefore, the Company's board of directors requires all persons having knowledge of potentially privileged information to refrain from using or transmitting such privileged information in order to obtain an economic advantage. Thus, in order to avoid any unnecessary speculations in the public, the Company has identified certain persons/group of persons (Restricted Persons) that shall not trade any shares (or other listed securities relating to the Company's shares) during the periods indicated below (Restricted Trading Periods). No exceptions are granted from the rules below.

Restricted Persons are:

1. Members of the board of directors
2. Members of the executive management
3. Employees involved in the preparation of the annual financial statements and the interim financial statements; and/or
4. Employees involved in any price-sensitive projects of the Company or having knowledge of any price-sensitive information hence capable of affecting the reasonable market participant in his decision-making

Restricted Trading Periods

Publication of Annual Financial Statements and Interim Financial Statements

Any Restricted Person (from no. 1 to 3) above shall not during thirty (30) days before and two (2) days after the publication of the annual financial statements or the interim financial statements, respectively, trade in any securities of the Company.

Price-Sensitive Information

Any Restricted Person (from no. 1, 2 and 4) above shall not from the time he is in possession of a price-sensitive information until two (2) days after the publication of the ad hoc notice trade in any securities of the Company.

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Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is nonapplicable or its omission is to be construed as a negative declaration (as provided in the SIX Swiss Exchange Corporate Governance Directive and the Guideline thereto).

IFRS Consolidated Financial Statements

Consolidated Statement of Profit or Loss

(In thousand Euro, except per share information)

| | Note | For the year ended December 31 | |
|--|------|--------------------------------|-----------------|
| | | 2021 | 2020 |
| Licence income from contracts with customers | | 34 | 23 |
| Royalties from contracts with customers | 8 | 5,728 | 5,235 |
| Revenue | | 5,762 | 5,258 |
| Research and development expenses | 9/11 | (10,725) | (14,853) |
| Marketing and advertising expenses | | (38) | (331) |
| General and administrative expenses | 9/11 | (7,356) | (8,140) |
| Operating result | | (12,357) | (18,066) |
| Financial income | 12 | 527 | 969 |
| Financial expenses | 12 | (3,054) | (2,521) |
| Result before tax | | (14,884) | (19,618) |
| Income tax | 13 | (17) | (1,380) |
| Net loss | | (14,901) | (20,998) |
| Loss per share | | | |
| Basic and Diluted loss per share | 14 | (0.84) | (1.18) |
| Weighted average number of shares (thousands) | | 17,845 | 17,845 |

(The accompanying notes are an integral part of these financial statements)

Consolidated Statement of Comprehensive Income

(In thousand Euro)

| | Note | For the year ended December 31 | |
|--|------|--------------------------------|-----------------|
| | | 2021 | 2020 |
| Net loss for the year | | (14,901) | (20,998) |
| Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods: | | | |
| Net gain / (loss) on other current assets | 18 | (39) | (11) |
| Exchange differences on translation of foreign operations | | 56 | 10 |
| Net other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods | | 17 | (1) |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurements on defined benefit plans | 26 | (28) | (14) |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | | (28) | (14) |
| Other comprehensive income / (loss) for the period, net of tax | | (11) | (15) |
| Total comprehensive loss for the period, net of tax | | (14,912) | (21,013) |

(The accompanying notes are an integral part of these financial statements)

Consolidated Statement of Financial Position

| (In thousand Euro) | | As of December 31 | |
|---|------|-------------------|---------------|
| | Note | 2021 | 2020 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 87 | 105 |
| Right-of-use assets | 15 | 490 | 629 |
| Intangible assets | | 2 | 11 |
| Non-current receivables | 16 | 10,480 | 12,579 |
| | | 11,059 | 13,324 |
| Current assets | | | |
| Receivables and prepayments | 17 | 4,833 | 6,624 |
| Other current financial assets | 18 | 9,575 | 18,037 |
| Cash and cash equivalents | 19 | 25,019 | 13,213 |
| | | 39,427 | 37,874 |
| Total assets | | 50,486 | 51,198 |
| Shareholders' Equity | | | |
| Share capital | 20 | 3,569 | 3,569 |
| Share premium and other reserves | 21 | 5,101 | 26,099 |
| Share option reserve | 22 | 15,367 | 14,605 |
| Retained earnings | | (20,116) | (26,157) |
| Translation differences | | (814) | (870) |
| Total shareholders' equity | | 3,107 | 17,246 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Interest-bearing loan | 23 | 42,542 | 25,674 |
| Non-current lease liabilities | 24 | 389 | 520 |
| Cash-settled share-based liabilities | 25 | 213 | 181 |
| Employee severance indemnity | 26 | 581 | 685 |
| | | 43,725 | 27,060 |
| Current liabilities | | | |
| Current lease liabilities | 24 | 150 | 151 |
| Trade and other payables | 27 | 3,504 | 6,741 |
| | | 3,654 | 6,892 |
| Total liabilities | | 47,379 | 33,952 |
| Shareholders' equity and liabilities | | 50,486 | 51,198 |

(The accompanying notes are an integral part of these financial statements)

Consolidated Statement of Changes in Equity

| (In thousand Euro) | Note | Share capital | Share premium and other reserves | Share option reserve | Foreign currency translation reserve | Retained earnings | Total |
|---|------|---------------|----------------------------------|----------------------|--------------------------------------|-------------------|----------|
| Balance at January 1, 2020 | | 3,569 | 46,306 | 13,144 | (880) | (25,341) | 36,798 |
| Net loss | | | | | | (20,998) | (20,998) |
| Other comprehensive income/(loss) | | | | | 10 | (25) | (15) |
| Total comprehensive loss for the period | | 0 | 0 | 0 | 10 | (21,023) | (21,013) |
| Previous year loss allocation | 21 | | (20,207) | | | 20,207 | 0 |
| Share option scheme | 22 | | | 1,461 | | | 1,461 |
| Balance at December 31, 2020 | | 3,569 | 26,099 | 14,605 | (870) | (26,157) | 17,246 |
| Net loss | | | | | | (14,901) | (14,901) |
| Other comprehensive income/(loss) | | | | | 56 | (67) | (11) |
| Total comprehensive loss for the period | | 0 | 0 | 0 | 56 | (14,968) | (14,912) |
| Previous year loss allocation | 21 | | (20,998) | | | 20,998 | 0 |
| Share option scheme | 22 | | | 762 | | | 762 |
| Fair value reserve release | | | | | | 11 | 11 |
| Balance at December 31, 2021 | | 3,569 | 5,101 | 15,367 | (814) | (20,116) | 3,107 |

(The accompanying notes are an integral part of these financial statements)

Consolidated Statement of Cash Flows

| (In thousand Euro) | | For the year ended December 31 | |
|---|------|--------------------------------|----------|
| | Note | 2021 | 2020 |
| Result before taxes | | (14,884) | (19,618) |
| Interest received | | 77 | 75 |
| Interest paid | | (869) | (606) |
| Adjustments for | | | |
| Depreciation and amortisation | | 209 | 219 |
| R&D tax credit and other non monetary income/expense | | 3,489 | (1,014) |
| Share option expenses | 22 | 762 | 1,461 |
| Employee severance indemnity expense | | 35 | 172 |
| Changes in working capital | | | |
| Current receivables and prepayments and deferred cost | | 1,752 | 1,227 |
| Trade and other payables and deferred income | | (3,947) | 557 |
| Pension fund paid | 26 | (168) | (7) |
| Change in non-current receivables | | 2,099 | 1,946 |
| Cash used in operating activities | | (11,445) | (15,588) |
| Cash flows from investing activities | | | |
| Purchase of financial assets | | (1,698) | (2,215) |
| Disposal of financial assets | | 10,138 | 1,634 |
| Purchase of property, plant and equipment | | (20) | (34) |
| Purchase of intangible assets | | 0 | (1) |
| Net cash flows from/(used in) investing activities | | 8,420 | (616) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 23 | 15,000 | 7,500 |
| Lease liabilities | 24 | (169) | (135) |
| Net cash flows from financing activities | | 14,831 | 7,365 |
| Net increase in cash and cash equivalents | | 11,806 | (8,839) |
| Cash and cash equivalents at January 1, | | 13,213 | 22,052 |
| Cash and cash equivalents at the end of the year | | 25,019 | 13,213 |

(The accompanying notes are an integral part of these financial statements)

Notes to the Consolidated Financial Statements

1 Corporate information

Newron Group (the Group) is composed of the following entities:

- Newron Pharmaceuticals S.p.A. (the Company), a clinical stage biopharmaceutical company focused on the discovery and development of drugs for the treatment of central nervous system (CNS) disorders and pain – the parent Company;
- Newron Pharmaceuticals US Inc., a fully owned clinical development subsidiary, based in Morristown, New Jersey (USA);
- Newron Sweden AB, a fully owned, private biotechnology company with registered offices based in Stocksund (Sweden) developing new medicines to treat illnesses caused by necrosis of the Central Nervous System (CNS);
- Newron Suisse SA, a clinical development fully owned subsidiary with registered offices based in Zurich (Switzerland);
- Hunter-Fleming private limited company, a private biopharmaceutical company with registered offices based in Brixham, Devon (United Kingdom) and focused on neurodegenerative and inflammatory disorders.

Newron Sweden AB, Newron Suisse SA and Hunter-Fleming are currently inactive.

The Company is incorporated and domiciled in Milan, Italy. The address of its registered office is Via Antonio Meucci 3, Bresso (MI) 20091, Italy. The Company is listed on the International Reporting Standard segment of the SIX Swiss Exchange, Zurich, Switzerland, under the trade name NWRN and is also listed at the Dusseldorf Stock Exchange and traded on the XETRA electronic platform under the trade name NP5.

The Group is principally engaged in discover, develop and commercialise novel drugs to treat diseases of the Central Nervous System (CNS) and pain.

These consolidated financial statements have been approved for issuance by the Board of Directors on March 10, 2022.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are based on the financial statements of the subsidiaries prepared for the same reporting period using consistent accounting policies. The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities which are measured at fair value, as described in the notes.

The presentation currency is EUR. All figures included in these consolidated financial statements and notes to the consolidated financial statements are rounded to the nearest thousand EUR except when otherwise indicated. The consolidated financial statements provide comparative information in respect of the previous period.

Since its inception, the Group has incurred significant costs for the funding of its research and development activities without generating enough revenues to sustain them. The Group's liquidity requirements arise primarily from the need to fund its ongoing research and development activities and, although the results of research are positive, it is not certain that the research and development activities will lead to the introduction of new products to the market. Historically, Newron has primarily used capital contributions from shareholders and limited government grants and loans to finance the cash needs of its continuing development activities.

Considering the Group's current cash position and the level of spending planned in Management's budgets, the directors believe that the Group will be able to meet its obligations as they fall due for a period of at least 12 months from the date of approval of the

financial statements by the Board of Directors, and hence the consolidated financial statements have been prepared on a going concern basis.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires Management to make judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Covid-19 pandemic effects

The spread of the Covid-19 pandemic resulted in a significant impact on production and commercial activities in many countries, mainly as a consequence of the restrictions and containment measures adopted by local governments, including travel bans, quarantines and other public emergency measures.

From a business perspective, the Group continued to experience some delays on the expected timing of certain studies. In this respect, the Group is working closely with the vendors to mitigate any potential disruption to the on-going or planned clinical trials as a result of the Covid-19 pandemic.

Group put in place measures to ensure the protection of its employees and business continuity: in particular, the adoption of hygiene and safety measures in its administrative and operational areas together with working from home, rigorous cleaning of workplaces and distribution of personal protective equipment.

Ukraine's invasion

The geopolitical tensions occurred in late February 2022 thus after the balance sheet date, due to Russia invading Ukraine, represents a further element of instability. Despite the fact that Newron Group's business is not exposed in the areas of conflict, the increasing geopolitical tension and the sanctions imposed by the governments of the United States, the European Union, Japan and other jurisdictions, as well as any potential counterresponses by the governments of

Russia or other jurisdictions, could adversely affect, directly or indirectly, the supply chain of our customers, as well as the global financial markets and financial services industry.

A Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

As of December 31, 2021, the consolidated financial statements of Newron Group include the accounts of Newron Pharmaceuticals S.p.A., Newron Suisse SA, Hunter-Fleming private limited company, Newron Sweden AB, and Newron Pharmaceuticals US Inc. The four subsidiaries are fully owned by Newron Pharmaceuticals S.p.A., the parent company.

B Summary of significant accounting policies

a) Segment reporting

The Group operates in a single business segment, which is research and development of pharmaceutical drugs. Geographically the research and development activities are mainly performed in Italy and United States of America (USA). The Group does not consider the geographies to be separate segments.

b) Related party transactions

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions; please refer to Note 31 for additional details.

c) Foreign currency translation

The Group's consolidated financial statements are presented in EUR, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Measurement currency

Items included in the financial statements of each entity are recognised and subsequently measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. There are no translation differences on non-monetary items.

Group companies

The exchange rates used to prepare the present document, are detailed in the following table:

| | Income statements in Euro (average rates) | | Rates as of December 31 | |
|-------|--|---------|-------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| CHF 1 | 0.92498 | 0.93414 | 0.96796 | 0.92575 |
| GBP 1 | 1.19005 | 1.12397 | 1.16333 | 1.11231 |
| SEK 1 | 0.09856 | 0.09538 | 0.09756 | 0.09966 |
| USD 1 | 0.84552 | 0.87550 | 0.88292 | 0.81493 |

The financial statements of the companies with a functional currency other than EUR are translated into EUR for the purposes of the consolidation using the year end rates for balance sheet items and the average rates for the year for the income statement items. Components of equity are translated at the dates of the relevant transaction. The resulting translation differences are recognised in other comprehensive income.

d) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

- The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

e) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

f) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or residual value of the asset over the estimated useful life, as follows:

| | |
|-----------------------------------|--------------|
| Office equipment and other assets | 3 – 10 years |
|-----------------------------------|--------------|

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Capital investment grants relating to the purchase of property, plant and equipment are deducted from the cost of the related assets. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

h) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below EUR 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The Group recognises "Right-of-use assets" representing the right to use the underlying assets and "Lease liabilities" to make lease payments.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term; depreciations rate are the following:

| | |
|----------------|--------------|
| Offices | 6 – 12 years |
| Motor vehicles | 3 – 4 years |

Right-of-use assets are subject to impairment when impairment indicators are identified.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all

relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than four years and hence not exercising any renewal options.

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Computer software and licences

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Asset's estimated useful life is five years.

Brands

Costs incurred in depositing the Group's name and logo and obtaining their exclusive use world-wide are classified as brands and are shown at historical cost. Brands have a definite useful life and are carried at cost less accumulated amortisation. Asset's estimated useful life is three years.

In-process research and development

In-process research and development ("IPR&D") projects acquired in a business combination are capitalized as intangible assets if the project meets the definition of an asset and its fair value can be measured reliably. Expenditure incurred on each project after acquisition is accounted for in accordance with the policy stated for internally incurred research and development costs. Before the achievement of the corresponding market authorization IPR&D projects are tested annually for impairment. When selling approval has been obtained, the projects are reclassified to developed technologies with the subsequent commencement of the amortization process.

j) Impairment of non-current assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15; please refer to Note 18 for additional details.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Based on Group's business model, financial assets, categories adopted by the Group are classified as:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at amortised

cost are subsequently measured using the effective interest method and are subject to impairment.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets

mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk

using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments.

In December 2006, the Board of Directors approved an investment policy, which foresees that *"All investments in financial instruments by the Company shall be for capital preservation purposes, aimed at safeguarding its capital, reserves and liquidity until the funds are used in the Company's primary business". It is also stated that "Any investment in derivative financial instruments shall need to be previously authorised by the Company's Board of Directors"*.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, including bank overdrafts.

Subsequent measurement of financial liabilities depends on their classification.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

m) Share capital

Ordinary shares and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in Share Premium Reserve as a deduction from the proceeds.

n) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The "Sale of licenses" is recognised when the Group assigns the rights of ownership to the customer, and collectability of the related receivables is reasonably assured. Receipts of "Upfront payments" and other similar non-refundable payments relating to the sale or licensing of products or technology are initially reported as contract assets and recognised as income on a straight-line basis over the estimated period of the collaboration required to finalise the development period.

Income from “Royalties” is recognised on an accrual basis and represents income earned as a percentage of product sales, in accordance with the terms of the relevant agreement.

“Reimbursements” received in relation to the licensing and collaboration agreement with Zambon Company S.p.A. or other entities like the European Community or Foundations are booked as a decrease of the related costs incurred since they are not considered as “ordinary operating activities” under the Group’s business model.

o) Government Grants

Grants relating to income are recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

As far as the presentation of the R&D tax credit, Management decided to present in the Profit & Loss the R&D tax credit as a deduction to the related expenses, as allowed by IAS 20 – Government Grants.

p) Research and development costs

As stated by IAS 38, costs incurred on development projects (relating to testing of new or improved molecule drugs) are recognised as intangible assets when it is probable that the project will be a success – considering its commercial and technical feasibility – and will generate future economic benefits, the availability of adequate funding resources and the ability to measure its costs reliably.

Development costs which do not meet these criteria are recognised as an expense as incurred. Since inception, all research and development costs have been treated as expenses as commercial and technical feasibility continues to be assessed.

q) Current and deferred income taxes

The income tax charge is based on profit for the year and includes deferred taxes. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on enacted or substantially enacted tax rates as of the balance-sheet date.

Deferred tax assets and liabilities are not discounted and are classified as noncurrent assets (liabilities) in the balance sheet. They are offset against each other if they relate to the same taxable entity and tax authority.

Deferred tax assets resulting from unused tax losses and temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilized. Since inception, no tax assets have been ever recognised to offset income taxes.

r) Employee benefits

Employee severance indemnity

(Trattamento di Fine Rapporto, T.F.R.)

In accordance with Italian legislation, an employee benefit is accrued for service to date and is payable immediately when the employee leaves the Company virtually for any reason. Accordingly, the benefit payable will depend on the employee’s years of service and compensation.

According to IAS 19, the liability in respect of the severance indemnity is the present value of the defined benefit at the balance sheet date. The defined benefit obligation is calculated on a regular basis in accordance with the advice of independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities with maturities approximating those of the related liability.

The Group recognizes all actuarial gains and losses in full in the period in which they occur in other comprehensive income in accordance with IAS 19.93A. Further details are disclosed in Note 26.

Pension costs

The Group and its employees pay contributions to the state defined contribution pension plan on a mandatory basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions paid by the Group constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan (Employees Stock Option Plan – ESOP). As stated by IFRS 2, the cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The total amount to be expensed over the vesting period is measured by reference to the fair value at the date on which the options were granted. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

s) Provisions

Provisions are recognised when i) the Group has a present obligation (legal or constructive) as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and iii) a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3 Change in accounting policies and disclosures

The accounting policies used in the preparation of the consolidated financial statements are consistent with those applied in the previous year.

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group:

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2020, except for the adoption of new standards and interpretations effective as of January 1, 2021.

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an inter-bank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- to permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- to provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond June 30, 2021:

Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after

April 1, 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Extension of the Temporary Exemption from Applying IFRS 9: Amendments to IFRS 4

On June 25, 2020, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 – Amendments to IFRS 4. The objective of the Amendments is to extend the expiry date of the temporary exemption from applying IFRS 9 by two years (i.e. from 2021 to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts. These amendments had no impact on the consolidated financial statements of the Group.

Accounting standards, amendments and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements of the Group are reported the following:

- Amendments to IFRS 3: Reference to the Conceptual Framework (January 1, 2022);
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (January 1, 2022);
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract (January 1, 2022);
- Amendments to Annual improvements 2018–2020 (January 1, 2022);
- IFRS 17 Insurance Contracts (January 1, 2023);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (January 1, 2023)
- Amendments to IAS 12: Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (January 1, 2023).

The Group intends to adopt these standards, if applicable, when they become effective.

4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial information requires Management to apply accounting methods and policies that are based on difficult or subjective

judgments, estimates based on past experience, and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Below are summarized the Group's accounting estimates that require the most subjective judgment: Group Management based the estimates on historical experience and on various other assumptions assessed as reasonable, the results of which form the basis for making judgments about the carrying value of assets, liabilities and equity and the amount of revenues and expenses. While making estimates and assumptions, Group Management has taken in due account the actual and potential effects of the Covid-19 pandemic and climate changes related matters, together with other assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue from contracts with customers

The nature of the Group's business is such that many sales transactions do not have a simple structure and may consist of various performance obligations that are satisfied at different times. Contracts entered typically include performance obligations for "Sales of licences", "Upfront payments" and "Royalties".

The "Sale of licenses" is recognised when the Group assigns the rights of ownership to the customer, and collectability of the related receivables is reasonably assured. Receipts of "Upfront payments" and other similar non-refundable payments relating to the sale or licensing of products or technology are initially reported as contract assets and recognised as income on

a straight-line basis over the estimated period of the collaboration required to finalise the development period. Income from “Royalties” is recognised on an accrual basis and represents income earned as a percentage of product sales, in accordance with the terms of the relevant agreement.

Cost accruals

The Group has numerous contracts with subcontractors who carry out research and development activities. The invoicing dates on these contracts do not coincide with the financial year end. Thus, Management has to exercise estimations as to the progress of work done under the contracts and apportion the cost to the different periods.

Government grants receivables

In accounting for the Research and Development (R&D) tax credit, Management has to exercise significant assumptions and judgments.

Grants related to the R&D tax credit, are booked as a reduction of “Research and development expenses”. According to the Italian Law 190/2014 and following amendments, the Group is entitled to receive from the Italian Tax authorities the R&D tax credit: such grant, does not provide for a direct reimbursement of incurred expenses as relevant Research and development expenses are only used to calculate the amount that the Group can recognize as a receivable. Such receivable can be used to offset the payment of certain taxes and contributions (e.g., social contributions, VAT payments, registration fees, income and withholding taxes and all other tax-related items that companies pay on a monthly basis) with the aim of reducing the actual monthly cash-out of the companies investing in R&D activities.

The recognition of the R&D tax credit is not based on taxable profits, whereas it depends on the existence of R&D expenses recognized by the companies in specified periods as detailed by the applicable law. The R&D tax credit falls within the scope of IAS 20 – Government Grants as the eligible entities become entitled to the right to obtain and use a tax credit in return of past compliance with certain conditions relating to the operating activities of the entity.

Government grants for the acquisition of tangible fixed assets reduce the asset's carrying acquisition cost.

Capitalisation of development costs

IAS 38 requires the capitalisation of development costs upon the completion of certain requirements about commercial and technical feasibility of projects, the availability of adequate funding resources and the ability to measure costs reliably. All development costs incurred until December 31, 2021, have been treated as expenses as commercial and technical feasibility continues to be assessed. There are no intangible assets in relation to development expenditure except the In-process R&D projects recognised as part of business combinations.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In determining the recognition of deferred tax assets, the Group's assessment of future taxable income, available taxable temporary differences, tax planning and applicable limitations on the use of tax loss carry-forwards are factors taken into account. The Group has incurred losses since inception and the availability of future taxable profits against which such an asset may be offset is uncertain. Accordingly, no deferred tax assets have been recognised. Should different events and assumptions be used, the deferred tax assets recognised could be different.

5 Seasonality

The Group's activities are not subject to seasonal fluctuations.

6 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets, and it is aimed at minimizing potential adverse effects on the Group's financial performance. Risk management, such as identification, evaluation and management of

financial risks, is carried out by the Group's finance department under the policies approved by the Board of Directors. The Board of Directors has provided written principles with regard to overall risk management, as well as written policies covering specific area such as investing excess liquidity. There is no use of valuation techniques for financial assets or liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

Newron Group exposure to interest rate risk is limited as, according to a policy approved in 2006, "All investments in financial instruments by the Company shall be for capital preservation purposes, aimed at safeguarding its capital, reserves and liquidity until the funds are used in the Company's primary business". It is also stated that "Any investment in derivative financial instruments shall need to be previously authorised by the Company's Board of Directors".

Consequently, to reduce the volatility of its investments, the Group has always invested in financial instrument rated \geq BBB (Fitch) with very few exceptions. As detailed, the financial instruments owned by the Group, which are mainly represented by bonds and funds, are exposed to a limited volatility and market risk, which is more relevant for equity investments, being subject to equity price changes. Group Management prepared a sensitivity analysis assuming variances of $\pm 1\%$ and $\pm 3\%$ in the market price of financial instruments and the variances were respectively equal to 0.3% and 0.8% of total Group's liquidity. Accordingly, Newron consider itself to be exposed to limited interest rate risk and other price risk arising from the holding of listed/government bonds and investment funds.

Newron Group is mainly exposed to currency risk i.e., the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, whereas it is not exposed to commodity price risk and other price risk.

The Group operates internationally and is exposed to currency risk arising from various exposures, primarily with respect to the Swiss Francs, UK Pounds, Swedish Krona and US Dollars. Foreign exchange risk arises from future purchase and service transactions, recognised assets and liabilities and net investments in foreign operations. To manage foreign exchange risk, the Group maintains foreign currency cash balances to cover anticipated future requirements. Accordingly, starting from December 2016, the Board of Directors and Management have decided to purchase an amount of US dollars representing the expected needs for nine to twelve month rolling period expenses as per approved budget.

The Group did not enter into foreign exchange contracts or other financial instruments in order to hedge its foreign exchange risk. Management has performed a sensitivity analysis applying reasonably possible change in the Swiss Francs, UK Pounds, Swedish Krona and US Dollars exchange rate, with all other variables unchanged. The impact on both the Income before tax and Equity of the Group is not material.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instruments or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operative activities since its receivables are related to only one partner. Credit risk from balances with banks and financial institutions is managed by Group's Finance in accordance with the Group's policies: consequently, cash and cash equivalents are held with approved financial institutions with at least BBB (Fitch) or higher ranking (please refer to Notes 18 & 19 for additional information)

Liquidity risk

Management monitors the Group's cash position on rolling forecasts based on expected cash flow to enable the Group to finance research and development activities. The Group's principal source of liquidity is its cash reserves which were obtained through the issuing of new shares at IPO and through subsequent fund raisings including borrowings by financial institutions. The Group's policy states to invest these funds in low-risk investments including interest bearing deposits. The financial status at December 31, 2021 assures that the Group's operations will be well funded into 2022 and for a period of at least 12 months from the date of

signing of approval of the financial statements by the Board of Directors, not taking into account further cash generating revenue streams. The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium term is highly dependent on the Group's ability to raise further funds from the out-licensing of its development stage products and the issuance of new shares and other financing transactions. Consequently, the Group is exposed to significant liquidity risk in the medium term.

The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments as of:

December 31, 2021

| Maturity table | Less than 3 months | 3 to 12 months | 13 to 24 months | 2 to 5 years | Over 5 years | Total |
|-------------------------------------|--------------------|----------------|-----------------|---------------|--------------|---------------|
| Trade and other payables | 3,504 | - | - | - | - | 3,504 |
| Interest-bearing loan, undiscounted | - | - | - | 40,000 | - | 40,000 |
| Interest on loan, undiscounted | - | 1,200 | 1,200 | 15,408 | - | 16,608 |
| Non-current lease liabilities | - | - | 139 | 250 | - | 389 |
| Current lease liabilities | 38 | 112 | - | - | - | 150 |
| Total | 3,542 | 1,312 | 1,339 | 54,458 | - | 60,651 |

December 31, 2020

| Maturity table | Less than 3 months | 3 to 12 months | 13 to 24 months | 2 to 5 years | Over 5 years | Total |
|-------------------------------------|--------------------|----------------|-----------------|---------------|--------------|---------------|
| Trade and other payables | 6,741 | - | - | - | - | 6,741 |
| Interest-bearing loan, undiscounted | - | - | - | 25,000 | - | 25,000 |
| Interest on loan, undiscounted | - | 750 | 750 | 9,741 | - | 11,241 |
| Non-current lease liabilities | - | - | 142 | 378 | - | 520 |
| Current lease liabilities | 38 | 113 | - | - | - | 151 |
| Total | 6,779 | 863 | 892 | 35,119 | - | 43,653 |

7 Group information

Information about subsidiaries

The consolidated financial statements of the Group include the following entities:

| Name | Principal activities | Country of incorporation | % equity interest as of December 31 | |
|--|----------------------|--------------------------|-------------------------------------|------|
| | | | 2021 | 2020 |
| Newron Suisse SA | Clinical development | Switzerland | 100 | 100 |
| Hunter Fleming private limited company | Biotech | United Kingdom | 100 | 100 |
| Newron Sweden AB | Biotech | Sweden | 100 | 100 |
| Newron Pharmaceuticals US Inc. | Clinical development | United States | 100 | 100 |

There are no entities with significant influence over the Group.

8 Royalties from contracts with customers

| (In thousand Euro) | For the year ended December 31 | |
|---|--------------------------------|-------|
| | 2021 | 2020 |
| Royalties from contracts with customers | 5,728 | 5,235 |

In 2021, net Royalties from contracts with customers (royalties) increased by 9.5% (2020: 10%).

Royalties that were payable to Newron according to the agreement in place with Zambon Group (Zambon; Partner), have been communicated to Newron by its Partner. In June 2021, Zambon launched Xadago® on the Brazilian market.

9 Staff costs net of other reimbursements

The following table summarizes the staff costs recognized among R&D and G&A expenses detailed in Notes 10 and 11:

| (In thousand Euro) | For the year ended December 31 | |
|--|--------------------------------|--------------|
| | 2021 | 2020 |
| Wages and salaries | 4,949 | 4,723 |
| Pension costs – defined contribution plans | 669 | 664 |
| Share options granted to directors and employees | 762 | 1,461 |
| Employee severance indemnity costs | 163 | 160 |
| Social security costs | 158 | 109 |
| | 6,701 | 7,117 |

The average number of Group employees in 2021 was 25 (2020: 23), of whom 1 (2020: 1) was part-time. The decrease in Staff costs is mostly related to the combined effect of the following: i) increase in number of employees and ii) decrease in Share options costs. Moreover, in the previous year, staff costs were reduced by the yearly benefit (2020: EUR 244) related to the R&D tax credit (please refer to Note 10 for additional information). A total of EUR 3,100 (2020: EUR 2,924) of Staff costs has been reclassified among R&D expenses, the remaining EUR 3,601 (2020: EUR 4,193) has been reclassified among Administrative expenses. Please refer to Note 10 and 11 respectively.

10 Research and development expenses net of grants and other reimbursements

| (In thousand Euro) | For the year ended December 31 | |
|---|--------------------------------|---------------|
| | 2021 | 2020 |
| Services received from subcontractors | 5,902 | 9,451 |
| Staff costs | 3,100 | 2,924 |
| Consultancy fees | 797 | 1,216 |
| Material and consumable used | 117 | 295 |
| Travel expenses | 192 | 267 |
| Depreciation, amortisation and impairment expense | 62 | 64 |
| Other research and development costs | 555 | 636 |
| | 10,725 | 14,853 |

The decrease in Services received from subcontractors is mainly due to the fact that the Company, in 2021, was running preclinical and clinical safety studies with evenamide, whereas the development of the phase III double-blind, placebo-controlled study performed to evaluate the efficacy of sarizotan in Rett Syndrome patients was terminated in 2020. Such costs increased in fourth quarter when the Company started its phase III double blind, placebo-controlled study performed to evaluate the efficacy of evenamide in schizophrenic patients.

The increase in Staff costs related to research and development activities is mainly due to: i) the decision to not accrue the R&D tax credit yearly benefit; ii) the increase in number of R&D employees partially compensated by iii) the reduction of stock options costs. Please refer to Note 9 for additional information.

Starting from January 1, 2021, in accordance with the Italian “2021 Stability Law” (Law 178/2020), companies investing in research and development activities are allowed to recognize an R&D tax credit that will be equal to the 20% (2020: 12%) of certain R&D expenses incurred in the year: the total R&D tax credit that can be granted is limited to EUR 4 million (2020: EUR 3 million). The R&D tax credit does not provide for a direct reimbursement of incurred expenses as such expenses are only used to calculate the amount that each company can recognize as a receivable. Such

receivable can be used to off-set the payment of certain taxes and contributions (e.g. social contributions, VAT payables, registration fees, income and withholding taxes and all other tax-related items that companies pay on a monthly basis) with the aim of relieving the actual monthly cash-out.

As of December 31, 2021, the Group did not recognize any tax credit regarding the R&D expenses incurred in 2021 following the assessment of its recoverability. The tax credit related to the R&D expenses of the year 2021 won't be lost as the Group became entitled to the right to obtain and use a tax credit in return of past compliance with certain conditions relating to the operating activities of the entity: thus, as soon as the structure of the Company will improve, the 2021 tax credit benefit will be booked into the financial statements.

Since May 14, 2012, all safinamide/Xadago®-related research and development expenses borne by the Group are reimbursed by Zambon: accordingly, research and development expenses are presented net of the reimbursement by Zambon, amounting to EUR 34 as of December 2021 (2020: EUR 66).

The following table presents research and development expenses net of the effects described above.

| (In thousand Euro) | For the year ended December 31 | |
|--|--------------------------------|---------------|
| | 2021 | 2020 |
| Research and development expenses, gross | 10,759 | 16,330 |
| Reimbursed by Zambon | (34) | (66) |
| R&D Tax Credit | 0 | (1,411) |
| | 10,725 | 14,853 |

Since inception, no development costs have been capitalised.

11 General and administrative expenses

| (In thousand Euro) | For the year ended December 31 | |
|---|--------------------------------|--------------|
| | 2021 | 2020 |
| Staff costs | 3,601 | 4,193 |
| Consultancy and other professional services | 2,326 | 2,592 |
| Intellectual properties | 729 | 732 |
| Travel expenses | 97 | 91 |
| Operating lease cost | 115 | 80 |
| Depreciation and amortisation expense | 147 | 155 |
| Other expenses | 341 | 297 |
| | 7,356 | 8,140 |

The decrease in Staff costs by EUR 590 is mainly due to the decrease in stock options costs and the effect of one employee leaving the company. Please refer to Note 9 for additional information on the development of Staff costs.

12 Financial results

The following table summarize the financial income of the period:

| (In thousand Euro) | For the year ended December 31 | |
|------------------------|--------------------------------|------------|
| | 2021 | 2020 |
| Interest incomes | 54 | 61 |
| Foreign exchange gains | 306 | 87 |
| Other income | 167 | 821 |
| | 527 | 969 |

The Group invested available financial resources pursuant to the policy approved by the Board of Directors as described in Note 2 k) Financial Instruments. For additional information, please refer also to Notes 18 and 19.

During the year, the fair value of certain financial assets held by the Company, increased: the positive effect, amounting to EUR 94 (2020: EUR 392), has been booked into Other income. Other income includes also the effects of the valuation of warrants issued by the Company in accordance with the contracts in place with the European Investment Bank (EIB): at year end, such effect was equal to EUR 73 (2020: EUR 429). Please refer to Note 25 for additional information on warrants.

The following table summarize the financial losses of the period:

| (In thousand Euro) | For the year ended December 31 | |
|-------------------------|--------------------------------|--------------|
| | 2021 | 2020 |
| Interest expense | 2,904 | 2,230 |
| Lease interest expense | 14 | 9 |
| Foreign exchange losses | 103 | 255 |
| Other costs | 33 | 27 |
| | 3,054 | 2,521 |

In September and October 2021, the Company has drawdown a total of EUR 15 million from its financing agreement with the EIB: the increase in Interest expense is due to the accrual of the interest that the Company will pay to the European Investment Bank starting from June 28, 2024.

Other costs reflect the decrease in the fair value of Group, Financial assets recognized at fair value through profit or loss. According to the investment policy approved by the Board of Directors in December 2006, “all investments in financial instruments by the Company shall be for capital preservation purposes, aimed at safeguarding its capital, reserves and liquidity until the funds are used in the Company’s primary business”.

13 Income tax

Income tax amounted to EUR 17 (2020: 1,380); the material decrease is related to the one-time substitute tax amounting to EUR 1,363 that the Parent Company had to pay in 2020 to recognize – for tax purposes – the revaluation of an IP performed on its statutory financial statements as allowed by article 110 of the Italian Law issued on October 13th, 2020, n. 126 converting the Law Decree 104/2020.

14 Loss per share

The basic loss per share is calculated dividing the net loss attributable to shareholders by the weighted average number of ordinary and preferred (if any) shares outstanding during the year.

| (In thousand Euro) | For the year ended December 31 | |
|---|--------------------------------|----------|
| | 2021 | 2020 |
| Net loss attributable to shareholders | (14,901) | (20,998) |
| Weighted average number of shares (thousands) | 17,845 | 17,845 |
| Loss per share – basic and diluted (in EUR) | (0.84) | (1.18) |

The categories of potential ordinary shares that have dilutive effect are the stock options and warrants. At the end of the year, Newron has granted a total of n. 1,867,711 – out of which, n. 1,233,172 already vested (see also Note 22 for additional information) – stock options to certain employees, directors and consultants and a total of n. 807,169 warrants to EIB (please refer to Note 25 for additional information). As of December 31, 2021, these are anti-dilutive, as their conversion would decrease the loss per share. Thus, the values of basic and diluted loss per share as of December 31, 2021, coincided.

15 Right of use assets

The Group has in place lease contracts mainly for offices and motor vehicles used in its operations as per the below list:

- Newron Pharmaceuticals S.p.A., leases its offices from Open Zone S.p.A. (formerly Zambon Immobiliare S.p.A.). As detailed below, since January 1, 2020, the Company has leased new offices from Open Zone S.p.A., resulting in an increase of the right of use recognized in 2020;
- Newron Pharmaceuticals US Inc. leases its offices from Symphony Workplaces. The lease expired on January 31, 2021, and has been renewed until January 31, 2023: the agreement allows the Company to vary the occupied space according to short-terms requirements;
- Newron Suisse SA, Newron Sweden AB and Hunter-Fleming private limited company do not rent premises.

Lease of offices generally have lengths between 6 and 12 years, while leases for motor vehicles generally have lengths between 3 and 5 years. The Group is restricted from assigning and subleasing the leased assets.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application at January 1, 2019.

The table below summarizes the development of the Group's right-of-use assets.

| (In thousand Euro) | Right-of-use assets | | |
|-------------------------|---------------------|----------------|-------|
| | Offices | Motor vehicles | Total |
| As at December 31, 2019 | 6 | 130 | 136 |
| Additions | 624 | 35 | 659 |
| Depreciation | (108) | (39) | (147) |
| Write-off | 0 | (19) | (19) |
| As at December 31, 2020 | 522 | 107 | 629 |
| Additions | 0 | 23 | 23 |
| Depreciation | (106) | (56) | (162) |
| As at December 31, 2021 | 416 | 74 | 490 |

Effective from January 1, 2020, the Company has moved its offices and its registered address within the same municipality to Via Antonio Meucci 3 (previously the offices and the registered address was Via Ludovico Ariosto 21). The new lease agreement started on January 1, 2020, has a six-years duration and can be renovated for additional six years if no termination note is provided, within a year before the end of the first contractual period. Under the agreement, either an "Exit Option" and an "Extension option" are provided. These options are negotiated by Management to provide space flexibility and to have an alignment with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

16 Non-current receivables

| (In thousand Euro) | As of December 31 | |
|-------------------------------|-------------------|---------------|
| | 2021 | 2020 |
| Guarantee deposits for leases | 72 | 64 |
| R&D tax credit | 10,408 | 12,515 |
| | 10,480 | 12,579 |

As of December 31, 2021, the Company was entitled to receive a total R&D tax credit equal to EUR 12,508 (2020: EUR 15,865) out of which EUR 10,408 reclassified among the Non-current asset (2020: EUR 12,515) and EUR 2,100 reclassified among the Current asset (2020: EUR 3,350).

The total net decrease of EUR 3,357 represents the amount used to: i) offset the payments of certain taxes and contributions incurred during the current fiscal year and ii) pay the substitute tax that the Parent Company accrued to recognize – for tax purposes – the revaluation of an IP recognized on its statutory financial statements. For additional information, please refer to Note 10 and 13.

According to the Group business plan, the total amount of R&D tax credit receivable recognized as of December 31, 2021, will be recovered through the offset of the payments of certain social contributions and other tax expenses of the upcoming years. Please refer to Note 10 for additional info.

17 Receivables and prepayments

| (In thousand Euro) | As of December 31 | |
|--------------------|-------------------|--------------|
| | 2021 | 2020 |
| Receivables | 1,308 | 1,836 |
| Prepayments | 783 | 868 |
| VAT receivable | 312 | 201 |
| R&D tax credit | 2,100 | 3,350 |
| Other receivables | 330 | 347 |
| | 4,833 | 6,624 |

Receivables are almost entirely represented by invoices and accruals related to both the royalties on net sales performed either by Zambon Group or its partners and the reimbursement, by Zambon Group, of safinamide research and development costs borne by the Company.

Prepayments reflects the comparison between the invoices received from CROs involved in long-lasting studies and the assessment regarding the percentage of completion of their ongoing development activities.

The R&D tax credit receivable reflects the amount that Management expects to use within the next twelve months to offset the payments of certain social contributions and other tax expenses. For additional information, please refer to Note 16.

18 Other current financial assets

| (In thousand Euro) | As of December 31 | |
|--------------------|-------------------|---------------|
| | 2021 | 2020 |
| Listed bonds | 4,545 | 6,553 |
| Government bonds | 503 | 506 |
| Investment funds | 4,527 | 10,978 |
| | 9,575 | 18,037 |

Gains and losses arising from the adjustment to the fair value of Other current financial assets were recognised in the statement of profit and loss or in the statement of other comprehensive income, consistently with the policy described in paragraph 2B, section k. All acquired securities and time-deposits are in line with the Group's investment policy.

19 Cash and cash equivalents

| (In thousand Euro) | As of December 31 | |
|--------------------------|-------------------|---------------|
| | 2021 | 2020 |
| Cash at bank and in hand | 25,019 | 13,213 |
| | 25,019 | 13,213 |

Management monitors the Group's cash position on rolling forecasts based on expected cash flows to enable the Group necessary to finance research and development activities and its ability to act as a going concern. Financial resources currently available are considered adequate to support ongoing research and development activities and the ability of the Group to meet its obligations as they fall due for the foreseeable period of at least 12 months from the date of approval of the financial statements by the Board of Directors.

Cash at December 31, 2021 is mainly composed by Euro and Dollars: compared to Group's liquidity, translation's effect at year-end are not material.

Group's liquidity (Other current financial assets plus Cash and cash equivalent) amounts approximately to EUR 35 million (EUR 31 million as at December 31, 2020). Expenses of the period have been partially financed by royalties, existing cash and the call of the two tranches related to the loan with EIB.

20 Share capital

As of December 31, 2020, the subscribed share capital was equal to EUR 3,569,069.00, divided into 17,845,345 ordinary shares with par value equal to EUR 0.20 each. There was no authorised share capital.

A summary of the changes occurred during the last 24 months in share capital is as follows (amounts are shown in Euro):

| (In Euro) | Total |
|--|---------------------|
| As of December 31, 2019 – Newron Group | 3,569,069.00 |
| As of December 31, 2020 – Newron Group | 3,569,069.00 |
| As of December 31, 2021 – Newron Group | 3,569,069.00 |

As of December 31, 2021, the subscribed share capital was equal to EUR 3,569,069.00, divided into 17,845,345 ordinary shares with par value equal to EUR 0.20 each. There was no authorised share capital.

21 Share premium and other reserves

| (In thousand EUR) | As of December 31 | |
|------------------------------|-------------------|---------------|
| | 2021 | 2020 |
| At the beginning of the year | 26,099 | 46,306 |
| Loss allocation | (20,998) | (20,207) |
| At the end of the period | 5,101 | 26,099 |

Share premium and other reserves decreased in 2021 because of the previous year loss allocation.

22 Share options reserve

| (In thousand EUR) | As of December 31 | |
|------------------------------|-------------------|--------|
| | 2021 | 2020 |
| At the beginning of the year | 14,605 | 13,144 |
| Share option scheme | 762 | 1,461 |
| At the end of the period | 15,367 | 14,605 |

To incentivise the efforts of employees, directors and certain consultants directed at the growth of the Company and its subsidiaries in the medium term, the Group has approved during its existence, various Share Option Plans among which ESOP 2013; ESOP 2014; ESOP 2015, ESOP 2017, ESOP 2018, ESOP 2020 March and ESOP 2020 December are still valid. All options have been awarded free of charge. The options granted have different vesting, maturity, exercise dates and, only for the ESOP 2020 December, the vesting is conditional to defined triggering events (company objective). Since there is no market for trading share options, Management must use a fair value method to value them. The fair value of each of the granted share options has been determined separately with the support of an external appraiser using

an enhanced binomial model. Estimates have been based on Group history or market data where appropriate.

On June 17, 2021, the Board of Directors granted 36,992 options (ESOP March 2020) to two new Newron employees at a strike price of CHF 2.47 (EUR 2.27 as translated at the exchange rate on June 16, 2021).

On September 8 and December 1, 2021, the Board of Directors granted a total of 17,074 options (ESOP 2020 march) to two new Newron employees of which 8,537 were granted at a strike price of CHF 2.10 (EUR 1.93 as translated at the exchange rate on September 7, 2021) while the remaining 8,537 were granted at a strike price of CHF 1.91 (EUR 1.83 as translated at the exchange rate on November 30, 2021).

As of December 31, 2021, the Company has granted a total of n. 1,867,711 options as shown in the following tables (granted options per plan):

| Employee Share Option Plans | | | | | | | | | |
|-----------------------------|----------|---------|---------|---------|-----------|----------|----------|----------|-----------|
| | 2011 | 2013 | 2014 | 2015 | 2017 | 2018 | Mar 2020 | Dec 2020 | Total |
| At January 1, 2020 | 55,451 | 320,174 | 180,934 | 385,140 | 239,810 | 367,571 | 0 | 0 | 1,549,080 |
| Expired | (55,451) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (55,451) |
| Granted | 0 | 0 | 0 | 0 | 18,496 | 46,951 | 361,886 | 134,802 | 562,135 |
| Voluntarily waived | 0 | 0 | 0 | 0 | (152,736) | 0 | 0 | 0 | (152,736) |
| Waived | 0 | 0 | 0 | (2,908) | (2,617) | (35,321) | (12,923) | 0 | (53,769) |
| At December 31, 2020 | 0 | 320,174 | 180,934 | 382,232 | 102,953 | 379,201 | 348,963 | 134,802 | 1,849,259 |
| Granted | 0 | 0 | 0 | 0 | 0 | 0 | 54,066 | | 54,066 |
| Waived | 0 | 0 | 0 | 0 | 0 | (14,228) | (16,156) | (5,230) | (35,614) |
| At December 31, 2021 | 0 | 320,174 | 180,934 | 382,232 | 102,953 | 364,973 | 386,873 | 129,572 | 1,867,711 |

The fair values of the options issued in 2021 have been estimated by an external appraiser on the date of grant using, among others, the following assumptions:

| | |
|--------------------------------|-------|
| Dividend yield (%): | 0.00 |
| Expected volatility (%): | 74.00 |
| Resignation rate expected (%): | 3.00 |

Covid-19 pandemic has increased the Expected volatility from 65% to 74%.

All options have been awarded free of charge and are recognised as personnel expenses over the vesting period. The increase of share option reserve is equal to EUR 762, and it's related to the following combined effects: a) recognition of cost of the year equal to EUR 817 (out of which EUR 580 refers to G&A employees and the remaining EUR 237 to R&D employees), and b) write-off of the reserve (EUR 55) related to options waived by four R&D employees that left the Company.

The following table shows additional information regarding options granted as of December 31, 2021:

| Plan's name | Exercise price (in Euro) | Number of out-standing options | Weighted-average remaining contractual life (years) | Number of exercisable options |
|--------------------|--------------------------|--------------------------------|---|-------------------------------|
| ESOP 2013 | 6.32 | 312,924 | 1.25 | 312,924 |
| | 6.66 | 7,250 | 1.25 | 7,250 |
| ESOP 2014 | 13.94 | 104,440 | 1.25 | 104,440 |
| | 13.88 | 76,494 | 1.25 | 76,494 |
| ESOP 2015 | 28.14 | 225,391 | 3.25 | 225,391 |
| | 24.90 | 14,938 | 3.25 | 14,938 |
| | 25.41 | 28,455 | 3.25 | 28,455 |
| | 15.22 | 8,537 | 3.25 | 8,537 |
| | 21.87 | 34,857 | 3.25 | 34,857 |
| ESOP 2017 | 15.97 | 70,054 | 3.25 | 70,054 |
| | 15.97 | 93,524 | 5.66 | 93,524 |
| ESOP 2018 | 6.10 | 9,429 | 5.66 | 0 |
| | 10.06 | 313,754 | 6.51 | 235,678 |
| | 7.27 | 22,764 | 6.51 | 20,630 |
| ESOP 2020 March | 4.40 | 28,455 | 6.51 | 0 |
| | 4.40 | 332,807 | 6.51 | 0 |
| | 2.27 | 36,992 | 6.51 | 0 |
| | 1.93 | 8,537 | 6.51 | 0 |
| ESOP 2020 December | 1.83 | 8,537 | 6.51 | 0 |
| | 1.97 | 129,572 | 5.66 | 0 |

In the first half of 2022, n. 185,343 options will become exercisable and further n. 144,994 will become exercisable during the second half of 2022. In 2022, a total of n. 330,337 options will vest, out of which n. 83,727 will expire on September 8, 2027, and the remaining n. 246,610 on July 4, 2028.

23 Interest-bearing loan

On October 29, 2018, the Group entered into a financing agreement with EIB granting Newron with up to EUR 40 million term loan facility over the coming years, subject to achieving a set of agreed performance criteria. The loan may be drawn in five tranches within a 36-month period from signing. The facility has a five-year term from the date of drawdown for each tranche. Group's obligations under the EIB agreement are secured by a security interest in certain cash accounts for the benefit of EIB.

Following Newron requests, EIB approved to transfer five tranches (identified as Tranche 1, Tranche 2, Tranche 3, Tranche 4 and Tranche 5) amounting respectively to EUR 10 million (cashed-in on July 1, 2019), EUR 7.5 million (cashed-in on November 25, 2019), EUR 7.5 million (cashed-in on April 14, 2020), EUR 7.5 million (cashed-in on September 6, 2021) and EUR 7.5 million (cashed-in on October 18, 2021). The tranches have an interest rate of 3% to be paid on an annual basis in arrears. A further, annual fixed rate is payable together with the outstanding principal amount on expiry of the relevant facility: Tranche 1 fixed rate is equal to 6.75%; Tranche 2 and 3 fixed rates are equal to 6.25% while Tranche 4 and 5 fixed rate is equal to 5.25%. Furthermore, according to the agreement between the parties, Newron has granted EIB with a total of n. 807,169 warrants (out of which n. 201,793 related to Tranche 1 and n. 151,344 per each of the Tranche 2, 3, 4 and 5) to purchase ordinary shares of Newron (for additional information, please refer to Note 25). There are no unused tranches.

As of December 31, 2021, the Interest-bearing loan is equal to EUR 42,542 (2020: EUR 25,674) recognized at amortized cost.

24 Lease liabilities

In the table below are shown the carrying amounts of lease liabilities and the split, as of December 31, 2021, between Non-current and Current

| | Offices | Motor vehicles | Total |
|-------------------------------|---------|----------------|-------|
| As at December 31, 2019 | 7 | 131 | 138 |
| Additions | 624 | 35 | 659 |
| Interest | 6 | 3 | 9 |
| Payments | (75) | (60) | (135) |
| As at December 31, 2020 | 562 | 109 | 671 |
| Additions | 0 | 24 | 24 |
| Interest | 11 | 2 | 13 |
| Payments | (110) | (59) | (169) |
| As at December 31, 2021 | 463 | 76 | 539 |
| Non-current lease liabilities | 352 | 37 | 389 |
| Current lease liabilities | 111 | 39 | 150 |

Please refer to Notes 2B section h) and 15 for additional information on the lease agreement in place as at December 31, 2021.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| (In thousand Euro) | As of December 31 | |
|--|-------------------|--------------|
| | 2021 | 2020 |
| No later than 1 year | 441 | 481 |
| Later than 1 year and not later than 5 years | 680 | 1,163 |
| | 1,121 | 1,644 |

25 Cash-settled share-based liability

| (In thousand EUR) | As of December 31 | |
|--------------------------------|-------------------|-------|
| | 2021 | 2020 |
| At the beginning of the period | 181 | 436 |
| New issuance's fair value | 105 | 174 |
| Period-end adjustment | (73) | (429) |
| At the end of the period | 213 | 181 |

As a consideration for the five tranches cashed-in from EIB, the Company awarded EIB, free of charge, with n. 807,169 warrants, representing 3.93% of the fully-diluted share capital as of the granting date, calculated taking into consideration not only the issued share capital but also the outstanding stock options (please refer to Note 22). Under the agreement, warrants will expire on November 28, 2028, and until then, EIB will be entitled to receive one newly issued Newron, share per each warrant at an exercise price equal to EUR 9.25. If no triggering events as defined in the contract with EIB will occur, n. 201,793 of the issued warrants can't be exercised before March 15, 2024; n. 302,688 issued warrants can't be exercised before September 15, 2025 while the remaining n. 302,688 issued warrants can't be exercised before September 15, 2026. The agreement includes a cash-settlement option.

Warrant's Fair Value has been calculated at the issuance of each tranche (June 28, 2019, November 25, 2019; April 14, 2020, September 6, 2021, and October 18 2021) and is determined at each reporting date. The fair value of each tranche of issued warrants, has been calculated by an external appraiser who applied the binomial model assuming no arbitrage, a risk-neutral framework, a volatility equal to 74% and no issuance of dividends. As of December 31, 2021, warrants, fair value, calculated using the Suisse Interest Rate Swap curve, was equal to EUR 213 (2020: EUR 181).

26 Employee severance indemnity

Newron Pharmaceuticals S.p.A. provides for their employee severance indemnities, which are considered to be defined benefit schemes.

The following table shows the development of the Defined Benefit Obligation through the current and previous year:

| (In thousand EUR) | As of December 31 | |
|---|-------------------|------|
| | 2021 | 2020 |
| Defined Benefit Obligation at the beginning of the period | 685 | 632 |
| Service cost | 35 | 44 |
| Interest costs | 1 | 2 |
| Indemnity paid out | (168) | (7) |
| Actuarial (gains)/losses | 28 | 14 |
| Defined Benefit Obligation at the end of the period | 581 | 685 |

The main assumptions underlying the Company's external actuarial valuation were as follows:

| Actuarial assumptions (In percent) | As of December 31 | |
|---------------------------------------|-------------------|-------|
| | 2021 | 2020 |
| Discount rate | 0.44 | -0.02 |
| Inflation rate | 1.75 | 0.80 |
| Future salary increase | 1.50 | 1.50 |
| Future pension (TFR) increase | 2.81 | 2.10 |

27 Trade and other payables

| (In thousand Euro) | As of December 31 | |
|------------------------------|-------------------|-------|
| | 2021 | 2020 |
| Trade payables | 1,503 | 1,273 |
| Accrued expenses | 513 | 2,744 |
| Pension contribution payable | 370 | 348 |
| Social security | 219 | 191 |
| Other payables | 899 | 2,185 |
| | 3,504 | 6,741 |

The aggregate decrease of Trade payables and accrued expenses is mainly due to the closing costs related to the sarizotan trial terminated in May 2020 and accrued in December 2020. For additional information please refer to Note 10.

Other payables included the amount the Company owed to its employees at year end; compared to last year, the decrease is due to the one-time tax – amounting to EUR 1,363 – that Newron Pharmaceuticals S.p.A. accrued in 2020 to recognize for tax purposes the revaluation of an IP recognized in its statutory financial statements, as described in Note 13.

28 Deferred income taxes

The Group's accounts include the following significant temporary differences from the tax bases of the relevant assets and liabilities:

| (In thousand Euro) | For the year ended December 31, | |
|---|---------------------------------|----------------|
| | 2021 | 2020 |
| Other (IAS 19) | (88) | (92) |
| Local gaap effect on depreciations | 41,315 | 45,447 |
| Local fiscal benefit | 8,716 | 6,791 |
| Non deductible interest expense | 5,359 | 2,686 |
| Net gain/(loss) on other financial assets | (39) | (11) |
| Net temporary differences | 55,263 | 54,821 |
| Tax losses carry forwards | 262,040 | 244,320 |
| Total differences | 317,303 | 299,141 |
| Theoretical Deferred tax asset | 74,845 | 68,894 |

The above theoretical deferred tax asset has been measured using the tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse and has not been recognised in the consolidated financial statements due to uncertainties concerning the availability of future taxable profits against which such an asset may be offset, also considering the expiring dates of the tax losses. The tax rates used by the Company are between 19% and 24% and are the same ones used last year.

Tax loss carry-forwards expire as follows:

| (In thousand Euro) | For the year ended December 31, | |
|-----------------------------|---------------------------------|----------------|
| | 2021 | 2020 |
| No expiry date | 35,311 | 34,643 |
| No expiry date – DL 98/2011 | 226,728 | 209,677 |
| | 262,040 | 244,320 |

The loss identified as “No expiry date” includes EUR 6,008 related to Newron Pharmaceuticals S.p.A. (since they have been incurred during the start-up period), EUR 19,440 related to Hunter-Fleming private limited company (equal to GBP 16,710 translated at the year-end exchange rate) and EUR 9,864 related to Newron Sweden AB (equal to SEK 101,106 translated at the year-end exchange rate). This amount has been positively affected (about EUR 0,9 million) by the exchange rate fluctuation that have impacted both the UK Sterling and the Swedish Krona.

In 2011, the Italian Tax Authorities issued a set of rules that modified the previous treatment of tax losses carry forwards. According to the D.L. 98/2011, at the end of 2011, all existing tax losses carry forwards will never expire but they can off-set only the 80% of the taxable income of the year. The rules do not affect the tax loss carry forwards that refers to the start-up period, defined as the first three years of operations starting from the inception of the Company.

During 2018, the Company has filed within the Tax Authority the application of the Paten Box for its Intellectual Properties called safinamide: the tax relief ended in 2021 and it was renewed for additional 5 years. It consists of an exclusion from the taxable base – for both corporation tax (IRES, with an ordinary rate of 24%) and regional tax (IRAP, with an ordinary rate of 3.9%) purposes – of a percentage of the income sourced from the usage of intellectual property. The regime is optional, lasts irrevocably for five years and can be renewed. As Newron doesn't pay income taxes, the cumulated relief – as of December 31, 2021 the company has filed within the Tax Authority only for the period 2016–2019 – increased by about EUR 11.3 million the loss carry-forwards.

In 2021, the Company has included in its fiscal declaration also an additional relief: it consists of an exclusion from the taxable base – for both corporation tax (IRES, with an ordinary rate of 24%) and regional tax (IRAP, with an ordinary rate of 3.9%) purposes – of a percentage of the increase in the Company's equity. As of December 31, 2021, the Company has accrued a total of EUR 8.7 million of which EUR 6.8 million related to 2020.

29 Net Financial Position

As of December 31, 2021, the net financial position is negative by EUR 8,700 (2020: positive by EUR 4,724) with a decrease by EUR 13,424 in comparison with last year. The decrease was mainly due to the new tranches of the EIB loan amounting to EUR 15 million drawn down during the current fiscal year to finance the operating activities. The following table details the net financial position as of December 31, 2021, and December 31, 2020 respectively:

| | As of December 31 | |
|--|-------------------|-----------------|
| | 2021 | 2020 |
| Other current financial assets | 9,575 | 18,037 |
| Cash and cash equivalent | 25,019 | 13,213 |
| A. Total Current Financial Asset | 34,594 | 31,250 |
| Current lease liabilities | (150) | (151) |
| B. Current Financial Liabilities | (150) | (151) |
| C. Net Current Financial Position (A+B) | 34,444 | 31,099 |
| Interest bearing loan | (42,542) | (25,674) |
| Cash-settled share-based liabilities | (213) | (181) |
| Non-current lease liabilities | (389) | (520) |
| D. Non Current Financial Liabilities | (43,144) | (26,375) |
| E. Net Financial Position (C+D) | (8,700) | 4,724 |

30 Commitments and contingent liabilities

Other commitments

The Company has entered into contracts for clinical development with external subcontractors. The Company compensates its suppliers for the services provided on a regular basis. The expenditure contracted for but not yet incurred at the balance sheet date is equal to approximately EUR 1 million. The Company shall not incur material penalty fees for the termination of any of these contracts.

Contingent liabilities

The Group has no contingent liabilities related to the existing agreements.

31 Financial instruments by category

The following tables present the breakdown of financial assets and liabilities, evaluated at fair value, by category as of December 31, 2021, and December 31, 2020, respectively.

As of December 31, 2021

| (in thousand Euro) | Level | Financial assets at amortized costs | Debt instruments at fair value through OCI with reclassification | Financial assets at fair value through profit and loss | Other financial liabilities at amortized cost |
|--------------------------------------|-------|-------------------------------------|--|--|---|
| Assets | | | | | |
| Other current financial assets | 1 | – | 5,048 | 4,527 | – |
| Trade and other receivables | 3 | 2,163 | – | – | – |
| Total | | 2,163 | 5,048 | 4,527 | – |
| Liabilities | | | | | |
| Interest-bearing loan | 2 | – | – | – | 42,542 |
| Trade and other payables | 3 | – | – | – | 2,402 |
| Non-current lease liabilities | | – | – | – | 389 |
| Cash-settled share-based liabilities | 2 | – | – | 213 | – |
| Current lease liabilities | | – | – | – | 150 |
| Total | | – | – | 213 | 45,483 |

As of December 31, 2020

| (in thousand Euro) | Level | Financial assets at amortized costs | Debt instruments at fair value through OCI with reclassification | Financial assets at fair value through profit and loss | Other financial liabilities at amortized cost |
|--------------------------------------|-------|-------------------------------------|--|--|---|
| Assets | | | | | |
| Other current financial assets | 1 | – | 7,059 | 10,978 | – |
| Trade and other receivables | 3 | 2,768 | – | – | – |
| Total | | 2,768 | 7,059 | 10,978 | – |
| Liabilities | | | | | |
| Interest-bearing loan | 2 | – | – | – | 25,674 |
| Trade and other payables | 3 | – | – | – | 3,458 |
| Non-current lease liabilities | | – | – | – | 520 |
| Cash-settled share-based liabilities | 2 | – | – | 181 | – |
| Current lease liabilities | | – | – | – | 151 |
| Total | | – | – | 181 | 29.803 |

The Management assessed that the fair value of Trade and other receivables as well as Trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of Other current financial assets are based on price quotations at reporting date.

During the whole year, there were no transfers between Levels.

Fair Value hierarchy

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

32 Related party transactions

i) Related entity

The Company does not have related entities.

ii) Related parties' transactions

The following tables provide the total amount of transactions that have been entered into with related parties during the fiscal year ended December 31, 2021, and December 31, 2020, as well as balances with related parties as of December 31, 2021, and December 31, 2020:

As of December 31, 2021

| (in thousand Euro) | Sales to/Cost reimbursed by related parties | Royalties | Purchases from related parties | Amounts owed by related parties, net | Amounts owed to related parties |
|----------------------|---|-----------|--------------------------------|--------------------------------------|---------------------------------|
| Zambon (whole group) | 65 | 5,728 | 195 | (475) | 25 |

As of December 31, 2020

| (in thousand Euro) | Sales to/Cost reimbursed by related parties | Royalties | Purchases from related parties | Amounts owed by related parties, net | Amounts owed to related parties |
|----------------------|---|-----------|--------------------------------|--------------------------------------|---------------------------------|
| Zambon (whole group) | 91 | 5,235 | 130 | 169 | 132 |

iii) Key Management personnel

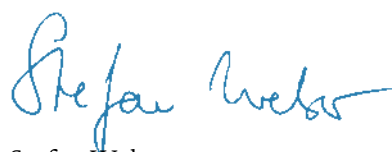
The total remuneration of key Management personnel is as follows:

| (In thousand Euro) | For the year ended December 31 | |
|-------------------------------|--------------------------------|--------------|
| | 2021 | 2020 |
| Salaries | 2,175 | 2,154 |
| Bonuses | 274 | 294 |
| Social security contributions | 316 | 296 |
| Share option compensation | 343 | 698 |
| Employee severance indemnity | 100 | 79 |
| | 3,208 | 3,521 |

33 Events after the balance sheet date

No significant event occurred between the balance sheet date and the approval date.

Bresso, March 10, 2022



Stefan Weber
Chief Executive Officer
Newron Pharmaceuticals S.p.A.

Auditor Report

Independent auditor's report on the consolidated financial statements

To the Shareholders of
Newron Pharmaceuticals S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Newron Pharmaceuticals S.p.A. and its subsidiaries (the "Newron Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Italy, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition – Agreement with multiple elements

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| Area of focus | <p>The Group derived a significant portion of its revenues from an agreement with a business partner involving upfront payments and multiple elements such as reimbursement of research & development costs incurred, milestones fees upon the achievement of certain events and royalties on the sales by the business partner and/or its affiliates to third parties. Upfront payments are recognized on a straight-line basis over the estimated period of the product development phase, milestone fees are recognized as the right of ownership is transferred to the business partner at the achievement of certain events and royalties are recognized on an accrual basis, consistent with the sales by the business partner.</p> <p>The Group reviewed the milestone achievements and the information about sales by the business partner to determine the individual components of revenue.</p> <p>Due to the judgment involved in that Directors' assessment we considered revenue recognition significant to our audit, requiring special audit attention.</p> <p>See Note 4 "Significant accounting judgements, estimates and assumptions" and Note B n) "Revenue from contracts with customers" in the financial statements.</p> |
| Our audit response | <p>We obtained an understanding of the agreement and assessed the application of Group's revenue recognition policies and the related accounting in accordance with IFRS 15. Based on the contractual terms of the contract we assessed the identification of all relevant elements, the allocation of revenue to the various elements in the contract, as well as the assessment of the timing of the revenue recognized. Among others, we tested recognition of milestone fees based on the milestones achievement and we tested royalties based on the sales information provided by the business partner. Our audit procedures did not lead to any reservations concerning the recognition of the revenue generated through the agreement.</p> |

Measurement of clinical trials costs

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| Area of focus | <p>The Group incurred costs related to clinical trials, which represent a significant portion of research & development costs. Accounting of these costs involves judgement on the determination of the appropriate timing of recognition based on the assessment of actual services received according to contracts with suppliers, generally multi-annual, which may differ from the billing schedules and thus may include a significant accrual or deferral amount. The Group determined the stage of completion of the clinical trials as of the balance sheet date based on information received by the suppliers and monitoring of progress of clinical trials by the Group's clinical team, supervised by the finance department.</p> <p>See Note 10 "Research and development expenses net of grants and other reimbursements".</p> |
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| Our audit response | <p>We obtained an understanding of the relevant Group's process to determine timing of recognition of clinical trial costs. We focused on the analysis of terms and conditions of relevant contracts with subcontractors related to the main clinical trials and evaluated the reasonableness of management's estimate of the stage of completion of these clinical trials. We corroborated management's estimate with questionnaires and other relevant documentation provided by the suppliers to the Group's clinical team, summarizing work performed as of the balance sheet date. Our audit procedures did not lead to any reservations concerning the recognition and measurement of the clinical trials costs.</p> |
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Going Concern

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| Area of focus | <p>Since its inception, the Group has incurred significant costs for the funding of its research and development activities without generating enough revenues to sustain them. Historically, the Group has primarily used capital contributions from shareholders and limited government grants and loans, to finance the cash needs of its continuing development activities. The Directors have prepared the consolidated financial statements on a going concern basis, considering the Group's current cash position and the level of spending planned in management's budgets, and concluded that the Group will be able to meet its obligations as they fall due for the foreseeable period of at least 12 months from the date of approval of the financial statements by the Board of Directors.</p> <p>The assumptions underlying the management's budgets, representing the basis supporting the Directors' assessment over the ability of the Group to act as a going concern in the foreseeable period of at least 12 months starting from the date of approval of the financial statements by the Board of Directors, include both the uncertainties typical of the sector in which the Group operates as well as those embedded in each forecast analysis, mainly related to the results achievable in the future and the timing of their occurrence.</p> <p>Considering the relevance of the assumptions made by the Directors underlying the forecasted future results, related in particular to the adequacy of financial resources to guarantee business operations in the foreseeable future of at least 12 months from the approval of the financial statements by the Board of Directors, we assessed this matter as a key audit matter.</p> <p>Financial statements disclosure related to the going concern assessment are reported in the notes to the financial statements at paragraph "Basis of preparation".</p> |
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| Our audit response | <p>The procedures performed to address the key audit matter included, among others, gaining an understanding, also through inquiries with management, of the elements underlying the assessment of going concern, the analysis of the key assumptions included in management's budgets approved by the Board of Directors on March 10, 2022 and the examination of the events occurred after the balance sheet date. Lastly, we reviewed the disclosure included in the notes to the financial statements as of 31 December 2021. Our audit procedures did not lead to any reservations concerning the ability of the Group to act as a going concern in the foreseeable period of at least 12 months starting from the date of approval of the financial statements by the Board of Directors.</p> |
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Other Information

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Directors are responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Newron Pharmaceuticals S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("*Collegio Sindacale*") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

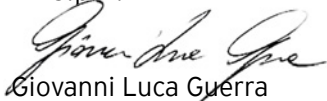
We have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

The partner in charge of the audit resulting in this independent auditor's report is Giovanni Luca Guerra.

Milan, March 14, 2022

EY S.p.A.



Giovanni Luca Guerra
(Auditor)

Information for Investors

Stock exchange information

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|-------------------------------|--------------|
| Symbol | NWRN |
| Listing | SIX, XETRA |
| Nominal value | EUR 0.20 |
| ISIN | IT0004147952 |
| Swiss Security Number (Valor) | 002791431 |

Share price data (SIX)

| | FY 2021 | FY 2020 |
|---|------------|------------|
| Number of fully paid-in shares as at December 31 | 17,845,345 | 17,845,345 |
| Year high (in CHF) | 3.07 | 7.09 |
| Year low (in CHF) | 1.42 | 0.90 |
| Year-end (in CHF) | 1.62 | 2.15 |
| Loss per share (in EUR) | 0.84 | 1.18 |
| Cash and cash equivalents, other short-term financial assets as at December 31 (in EUR 1,000) | 34,6 | 31,3 |
| Market capitalization as at December 31 (in CHF) | 28,909,459 | 38,367,492 |

Major shareholders*

Zambon 4.41 %

* With holdings of more than 3% (to the best of the Company's knowledge)

Financial calendar

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| Publication of Annual Report 2021 | March 15, 2022 |
| Analyst/Investor/Media Conference Call | March 15, 2022 |
| Annual Shareholders' meeting 2022 | April 5, 2022 |
| Half-year report 2022 | September 15, 2022 |

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Important Notices

This document contains forward-looking statements, including (without limitation) about (1) Newron's ability to develop and expand its business, successfully complete development of its current product candidates, the timing of commencement of various clinical trials and receipt of data, and current and future collaborations for the development and commercialization of its product candidates, (2) the market for drugs to treat CNS diseases and pain conditions, (3) Newron's financial resources, and (4) assumptions underlying any such statements. In some cases these statements and assumptions can be identified by the fact that they use words such as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "target", and other words and terms of similar meaning. All statements, other than historical facts, contained herein regarding Newron's strategy, goals, plans, future financial position, projected revenues and costs and prospects are forward-looking statements.

By their very nature, such statements and assumptions involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described, assumed or implied therein will not be achieved. Future events and actual results could differ materially from those set out in, contemplated by or underlying the forward-looking statements due to a number of important factors. These factors include (without limitation) (1) uncertainties in the discovery, development or marketing of products, including without limitation difficulties in enrolling clinical trials, negative results of clinical trials or research projects or unexpected side effects, (2) delay or inability in obtaining regulatory approvals or bringing products to market, (3) future market acceptance of products, (4) loss of or inability to obtain adequate protection for intellectual property rights, (5) inability to raise additional funds, (6) success of existing and entry into future collaborations and licensing agreements, (7) litigation, (8) loss of key executive or other employees, (9) adverse publicity and news coverage, and (10) competition, regulatory, legislative and judicial developments or changes in market and/or overall economic conditions.

Newron may not actually achieve the plans, intentions or expectations disclosed in forward-looking statements and assumptions underlying any such statements may prove wrong. Investors should therefore not place undue reliance on them. There can be no assurance that actual results of Newron's research programmes, development activities, commercialization plans, collaborations and operations will not differ materially from the expectations set out in such forward-looking statements or underlying assumptions.

Newron does not undertake any obligation to publicly update or revise forward-looking statements except as may be required by applicable regulations of the SIX Swiss Exchange where the shares of Newron are listed.

This document does not contain or constitute an offer or invitation to purchase or subscribe for any securities of Newron and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

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